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THE COMPTROLLER GENERAL'S PROGRESS REPORT ON IRAQ

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
ONE HUNDRED TENTH CONGRESS
SECOND SESSION

HEARING HELD
JULY 23, 2008

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THE COMPTROLLER GENERAL'S PROGRESS REPORT ON IRAQ

House of Representatives,
Committee on Armed Services,
Washington, DC, Wednesday, July 23, 2008.

The committee met, pursuant to call, at 10 a.m., in room 2118, Rayburn House Office Building, Hon. Ike Skelton (chairman of the committee) presiding.

OPENING STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The Chairman. Today the Armed Services Committee meets to hear from Mr. Gene Dodaro, the Acting Comptroller General of the United States. He is going to speak to us about the work recently conducted by the Government Accountability Office (GAO) and the GAO assessing progress in Iraq calling for new strategy to govern our efforts there.

Mr. Dodaro is accompanied by Joseph Christoff, who I understand is present to answer questions but will not make an opening statement.

Before I begin, I want to make an administrative announcement. The hearing will be followed by a classified briefing on work regarding the joint campaign plan that was conducted by the GAO. And that briefing will happen in 2212 Rayburn. And the best guess is that it will start around 12:30. It will be at the secret level, so 9(c) staff are welcome to attend.

Let me mention this, the GAO has done some excellent work for this committee, and I mentioned this to you Mr. Dodaro a few minutes ago. He has done some excellent work for our committee, as well as Congress as a whole, on the subject of Iraq over the years. And all of us want to thank you for those excellent efforts.

The most recent report of Iraq continues the tradition of raising important questions that Congress as well as the Administration should be considering seriously. The recent GAO report comes to a simple conclusion that we need to develop a new strategy in Iraq. The report makes the case by noting that the New Way Forward strategy announced by the President in January 2007 is coming to an end with the departure from Iraq of the surge brigades and that we should be working on what is next. I posed the what-is-next question to General Petraeus and Ambassador Crocker when they were before this committee back in April. The answer was unclear.

The next question we should consider, and I hope Mr. Dodaro will weigh in on is if we should be undertaking a new strategy in Iraq right now. And many, along with I, have long been in favor of changing our approach in Iraq. For the good of Iraq and the health of our military, we should be finding ways to take advantage of the Iraqi desire to have real sovereignty and hand over more responsibility for their security. This, of course, would provide a clear path toward redeployment of American combat troops from that country. This is what the Iraqis clearly want, and it is what the American people clearly want. Any new strategy in Iraq should take into account the Iraqi desire for more sovereignty as well as the health of the United States' military.

We have talked about the readiness and the challenges of readiness in this committee so many times, as well as the competing demands in Afghanistan. It is worth asking, however, if it is the right moment for a full interagency effort to write a new strategy document. Iraq is undergoing a political transition. General Petraeus is conducting his analysis and evaluation of following the redeployment of the surge brigades. And America and Iraq are also deeply involved in negotiations on the Status of Forces Agreement (SOFA), which we will be hearing more about that in this committee very, very soon. Iraqi leaders have endorsed goals for the redeployment of American troops. I think that is a positive step.

Ideally the Administration would have conducted a full interagency effort to develop a new strategy well in advance of the end of the New Way Forward. Unfortunately, they did not, and we are left trying to muddle through the current challenges. But we have to answer if pushing for a new strategic document that may well be obsolete by the time it is done makes sense, or if we are better off waiting for a short period of time. I hope this hearing will help clear up that issue.

I thank Mr. Dodaro and Mr. Christoff again for being with us today.

And I yield now to the gentleman from California, Mr. Duncan Hunter.

STATEMENT OF HON. DUNCAN HUNTER, A REPRESENTATIVE FROM CALIFORNIA, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. HUNTER. Thank you, Mr. Chairman.

And thanks for holding this hearing. I want to join you in welcoming our guests.

And I understand that the GAO undertook this effort on its own initiative. And I appreciate the willingness of GAO officials to take a hard look at the U.S. Government's approach to stemming the violence in Iraq and helping the government foster conditions for national reconciliation.

In January 2007, President Bush outlined to the American people a new strategy for Iraq and called it the New Way Forward. Many of us liked this New Way Forward because it rested on the three essential pillars: political, military and reconstruction efforts to achieve a balanced approach to addressing the conditions in Iraq.

Facts on the field and anecdotes from commanders and civilians in the field support recent reports that this strategy has achieved remarkable results. For example, by May 2008, overall violence in Iraq dropped to its lowest level in 4 years. Despite increases in weekly security incidents during March and April, due in large part to Iraqi-led operations to Basra, Sadr City and elsewhere, overall violence decreased to levels that were last seen consistently in April 2004.

In June 2007, the average number of attacks throughout Iraq was over 1,200 per week. In June 2008, that number was 200 per week or about an 80 percent reduction in the last year.

Incidents involving IED's, improvised explosive devices, have decreased over 70 percent in the last year. From January through June 2008, coalition forces found 85 percent more caches than during the same time frame in 2007. Oil revenues have expanded sufficiently, some of which are being used to support development and reconciliation programs. Oil production is likely to increase by 10 percent in 2008. The Iraqi economy is expected to grow by 7 percent in 2008. And lower inflation has boosted Iraqi purchasing power and provided a more stable environment for private sector development.

Of the 18 benchmarks identified by the White House and endorsed by the Congress as measures of progress, we have received assessments that Iraq's efforts on 15 of these metrics are satisfactory. Only two, enacting and implementing laws to disarm militias and distribute oil revenues, are unsatisfactory. And those of us who sit here know full well how difficult it can be to pass contentious legislation.

Clearly, the New Way Forward has helped to change conditions in Iraq for the better. The U.S. military surge met with success and the efforts by our civilian personnel in Iraq had begun to bear fruit in the political and economic arenas. We are on the right path.

That said, I am sure that both General Petraeus and Ambassador Crocker have implemented the necessary tactical and operational course corrections along the way, for example, supporting the Sons of Iraq movement, which could not have been foreseen when the President unveiled the New Way Forward last year. As any good strategy would, it provided an overarching framework and enough flexibility to allow for the necessary modifications based on changing conditions on the ground. I believe that the smart people who are implementing U.S. strategies and policies in Iraq could continue to adjust their efforts in support of this strategy as necessary.

So I wonder, gentlemen, in light of the fact that this strategy has worked to date and has provided a good solid framework for people in the field to deal with unforeseen changes and that we have had this very substantial reduction in violence, 80 percent reduction, why does GAO recommend to the United States during the last 6 months of an Administration that they develop and implement a new strategy? Why is it necessary? What greater insight could the commanders and civilians on the ground expect to gain from a new strategy that they are not getting currently? And finally, I note that earlier this year Chairman Skelton and I co-signed a letter to GAO asking you to look into U.S. efforts to encourage Iraqi progress on the 18 benchmarks. Although your report discusses Iraqi progress, it does not outline or analyze the whole of U.S. efforts, aside from mentioning U.S. financial contributions, as we had asked.

And I hope you can provide comments on the efforts of those brave Americans who are making such a difference in Iraq. For example, I would like to hear your perspective on the efforts made by provincial reconstruction teams, transition teams, diplomats, and others to encourage Iraqi progress. So, again, thank you for being here.

I join the Chairman in welcoming our guests.

And I look forward to your testimony.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Dodaro, thank you, again, for your work in the GAO, and we welcome you, and you may proceed.

STATEMENT OF GENE L. DODARO, ACTING COMPTROLLER GENERAL OF THE UNITED STATES, GOVERNMENT ACCOUNTABILITY OFFICE, ACCOMPANIED BY JOSEPH CHRISTOFF, DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE, GOVERNMENT ACCOUNTABILITY OFFICE

Mr. DODARO. Thank you, Mr. Chairman.

Good morning to you, as well as the other members of the committee. We appreciate the opportunity to discuss today GAO's latest report on progress in Iraq and stabilizing and rebuilding the situation.

In summary, our report notes that some gains have been made in implementing the key goals for the New Way Forward. Many challenges remain, and an updated strategy is needed.

On the progress front, violence as measured by enemy-initiated attacks is down about 80 percent from June 2007 to June 2008. It has gone from about 180 average daily attacks down to 30 in June 2008, just last month. Additionally, the number of forces, trained Iraqi security forces (ISF), has increased substantially from 323,000 in January 2007 to a figure now approaching 500,000 trained troops.

Additionally, some legislation has been passed to return Baathists to government service, granting amnesty to detained Iraqis and also defining provincial powers.

Now, much remains yet to be done. Eight of 18 provinces still need to be given the lead for security. Ten have been transferred so far. More effort needs to be given to training the Iraqi security forces so they could operate more independently without as much coalition and U.S. support.

Additional legislative issues need to be attended to. Legislation establishing the legal framework for distributing oil revenues, for example, needs to be passed, as well as legislation for disarming the militias and for holding the provincial elections. While progress has been made in many of the sectors in oil and electricity and water, for example, much more work needs to be attended to there as well. For example, energy production this month in mid-July only met about 54 percent of the demand in the country. Additionally, the ministerial capacities of Iraqi's government structure need to continue to be strengthened to enhance their ability to execute on capital investment plans that they have forward and make those investments come to a reality going forward.

Now, looking ahead, we think an updated strategy is called for, for several reasons. One, many things have changed in Iraq since January 2007. We also think there are some limitations in the current plans of the agencies that need attending to. Also, the U.S. is negotiating a new agreement in light of the U.N. Mandate expiring at the end of this year. And I would point out that that expiration of that mandate will occur before a change in our Administration going forward. So I think it is important that we have an updated strategy that reflects whatever agreement is reached between now and then to replace for the U.N. Mandate going forward and also continue to address some of our open recommendations for building the capacity of the ministries to take on the full range of government services going forward.

Now, while U.S. strategies have changed over this experience that we have had in Iraq, the one thing that has remained constant is the dedication and the commitment of U.S. personnel, both military and civilian. And I would want to close my opening remarks by just recognizing the extraordinary efforts put forth by our military and civilian personnel there and the many sacrifices that they have made.

And with that, Joe and I would be happy to answer your questions.

[The prepared statement of Mr. Dodaro can be found in the Appendix on page 39.]

The CHAIRMAN. Thank you very much.

You point out the necessity for a new strategy, and it raises two questions: Number one, would now be the time, or should we wait for a new administration? And second, what were the elements of a new strategy or what should the elements of a new strategy be? Would you answer both those questions for us?

Mr. DODARO. Yes, Mr. Chairman.

First, we think an updated strategy is essential for a number of reasons. One, I mentioned the expiring——

The CHAIRMAN. No, first answer my first question. Now or for a new administration?

Mr. DODARO. I am a big believer in stewardship, Mr. Chairman, and I think we are committing a lot of resources. I think you need one now. And I believe we are committing a lot of resources. We have a lot of troops deployed. We need to continue to build upon the progress that has been made, as well as address unmet goals going forward. And I am a big believer in the fact that we need to have continuity in government. And it would be important, from a stewardship standpoint, to have the best thinking of the current Administration to inform the next administration going forward and to assist as possible in the transition. So I think it is essential that the update be done now.

The CHAIRMAN. That answers the first question.

The second question is, what elements should be involved in the new strategy?

Mr. DODARO. There needs to be an update in terms of the goals that are expected to be achieved in terms of performance measures, the expected costs that are going to be incurred during this period of time, how we are going to measure progress in some of these other areas. So a lot of the unmet goals need to be addressed going forward. Also, I think that the legislative benchmarks that have been set are important for people to follow to make sure that the additional steps that are needed for political reconciliation there are accomplished during this period of time.

And I would ask Joe to add if he has any other specifics. But I also note that the supplemental that just recently passed has a number of details in it in terms of Congress asking for particular reports from the Administration. Many of those detailed specifics in there is what we would like to see in an updated strategy as well.

Mr. CHRISTOFF. I think, Mr. Chairman, the updated strategy should also take into consideration the continuing progress in the security area. We always track the number of enemy-initiated attacks. Mr. Hunter is correct in noting the 80 percent reduction since June of 2007. That is an important measure to continue to track. The continued training and equipping of Iraqi security forces and, more importantly, the numbers that are reaching the highest readiness level. Operational readiness level, one, is an important measure to track. And then, finally, on the economic fronts. Iraq has continuously promised to spend billions of dollars of its own oil revenues to reconstruct its country. And we found that over the past 3 years, they have spent about 24 percent of what they budgeted. And I think that is a continuing and important measure to track as well and to include in an updated strategy.

The CHAIRMAN. Thank you very much.

Mr. Hunter.

Mr. HUNTER. Thank you, Mr. Chairman.

Gentlemen, I agree with you that we want to continue to upgrade the Iraqi military forces, the 131 battalions or so for example that comprise the Iraqi army, but we are doing that. And we are doing that under the leadership of some very capable individuals who have seen all the problems and all the mistakes that can be made over the last many years in terms of how you train and equip a military that is comprised of the personnel who make up that Iraqi force. They have seen all the problems, all the hiccups, all the bumps, and they have managed to turn out from scratch an Iraqi military that is taking hold, that has undertaken initiatives of its own, some without American concurrence or support, and carried them out fairly effectively.

So my point is, we have a fairly successful operation now with respect to training and equipping the Iraqi military. And no one would suggest that we seize that operation. So it is a little unclear as to exactly what new elements in this area you would recommend. Do you have any specific elements that you think we are not undertaking with respect to the training and equipping of Iraqi forces that we should now be embarked upon?

Mr. DODARO. There are a couple of issues here, a couple of specifics I would offer, Congressman Hunter. One is, there has been progress in bringing along the number of trained troops. But one thing that hasn't changed over the past year is that the highest operational readiness assessment level one, which is operating independently, that percentage hasn't changed. It has been about 10 percent over that period of time.

So one area that we think should be addressed is, what will be done to try to move that percentage to a higher percentage to build that capacity? The other remaining issue has to do with the Sons of Iraq, as you mentioned, and the efforts to try to integrate them into the forces.

Mr. HUNTER. Okay. But let me just pursue that. To operate independently means that you need some of the what we call enablers like Medical Evacuation (MediVac) capability, aerial MediVac capability, fire support, including aerial fire support and artillery fire support. If you take other nations in this part of the world, a number of them that have been, are long-established countries don't have what you would call the ability to operate with the same capability that we have inserted in that metric; i.e., a lot of them don't have robust aerial MediVac capability, never have, and probably never will. Nonetheless that doesn't mean that they don't have an effective military. But my question is, you say we want the Iraqi army to be all that it can be. We all agree, and our trainers all agree. But what new actions would you recommend for the United States to take to improve the army to a degree that is greater than what is already taking place, in other words to make the training more efficient or to get the army stand up quicker? Because nobody disagrees we want to stand up the military. But in fact, that is part of the President's plan and has always been: standing up the military, standing up the country economically, and ensuring that they are able to undertake these legislative initiatives, which, as we have noted, are very contentious in some cases. And they have undertaken legislative initiatives. But like other bodies, legislative bodies we don't have to mention right now, sometimes contentious issues don't get passed, right, and especially in the middle of a political season. So the question is, what do we—we all agree that we want to make the army as effective as possible as quickly as possible. But what things do you think that our military trainers aren't doing right now that they could be doing to achieve that?

Mr. DODARO. Well, it is not a question of us recommending specific actions. What we are talking about in this particular area, for example, is that there are some key reasons why the Iraqi armed services aren't able to operate more independently. One is a unified command and control structure. Another is having enough leaders to lead the brigades. And what we would offer, and one of the things that we are suggesting is, what strategies specifically are going to be pursued in order to achieve that and to get to a higher operational readiness assessment level?

So those are the things we are talking about, Congressman. I would ask Joe to elaborate if he wants to on that particular point. But we are not attempting in our recommendation to give specific direction to our military leaders. We think they need and have done a good job in this area, but they need to have an update so that people can track the progress as to what is expected to be achieved over a reasonable period of time.

Mr. HUNTER. Okay. But let us go to the military leaders. We have been told by our leaders, our military leaders who are in charge of training, that one of the inadequacies has always been having enough field grade officers and officers and leaders at the higher level, along with having the need to establish a good noncommissioned officer (NCO) corps, right? And they have laid that out and said, this is where we have some inadequacies with the Iraqi army, we need to press harder and try to develop that officer corps and that NCO corps. Having said that, they are doing that. And so the real question is, whether we don't all agree with it, it is good to have, when you have got a division, it is nice to have a good division commander. And when you have got a brigade, it is good to have a good brigade commander. And we didn't restart Saddam Hussein's army, which had as I recall 11,000 Sunni generals in it, which I think right now would have created a massive mess if we had done what a lot of the armchair experts recommended, which was to take that army and maintain it. That would have been a disaster, when you had a body that is supposed to establish and maintain stability with 11,000 Sunni generals who have made their living beating up on Shiites to somehow now be a force for stability in a predominantly Shiite nation.

So I think, although it took a lot of blood, sweat, and tears, I think building that army from scratch was the right thing to do. And Secretary Rumsfeld, in that case, did the right thing. And the armchair experts were wrong on that one.

But having said that, we are building that officer corps and we are building that NCO corps, and we need to do more than simply say, you know, we need more good officers, we need more good NCOs. We know that. And we have programs and schools through which we are developing those folks. And a lot of them incidentally are being developed by operations. When you go into an operation and you have a captain or a major or a colonel who stands out, who leads his men, then that person needs to be promoted based on merit. And that is a difficult thing to do, as you may know, with regard to the culture. Sometimes these promotions are political. And so we are trying to develop a military where promotions are based on merit. But I think we are doing that.

And I didn't see in this report solid, substantial recommendations as to how you do that better than the way we are doing it right now. I guess that is my question. What changes would you recommend to our military leadership that will produce more field grade officers and more good NCOs in a shorter period of time?

Mr. CHRISTOFF. Mr. Hunter, I would talk about the need to plan for this enormous increase in the capacity of the Iraqi security forces that both the Iraqi Government and the U.S. anticipates over the next 18 months. Right now, we are at about 495,000 Iraqi security forces that we have trained. The goals of the Iraqi Government is to try to get up to 646,000 over the next 18 months. Couple that with both our concerns and the Iraqi's concerns about having the training capacity to accommodate those 646,000 over the next 18 months and the lack of military academies within Iraq. They are certainly growing, and we are helping in that growth. But I think there is a concern about that capacity. You then couple it with the desire to begin over a longer term to integrate the 105,000 Sons of Iraq either into the Iraqi security forces or to civilian employment. And then you have the question of these emerging Sons of Basra groups that you have in southern Iraq, that you have in Sadr City, and how and to what numbers are they going to increase to? How will they be integrated? Who will pay for them is still a remaining question as well.

Mr. HUNTER. So you would recommend, one hard recommendation would be to increase the number of academies turning out officers and NCOs.

Mr. CHRISTOFF. And that is currently what is a goal at least both on the part of the U.S. and the Iraqis. It is in the most recent 9010 report as well, the recognition that it needs to be done.

Mr. HUNTER. So you are saying that we are in the process of increasing the number of academies.

Mr. CHRISTOFF. We recognize it as a problem, and that was in the June 9010 report.

Mr. HUNTER. That is kind of my point here. Our guys, I think General Petraeus understands the need to have more good officers and more good enlisted guys. And I think, as a guy who initially was charged with and was in charge of the training of Iraqi soldiers, or at least been through the entire gamut starting from scratch, what would you have him do that you think he is not doing now in terms of expanding academies?

Mr. CHRISTOFF. I think it is focusing on trying to develop and anticipate how you are going to accommodate roughly an additional 150,000 Iraqi security forces (ISF) that have to be trained? How are you going to integrate 105,000 Sons of Iraq? How are you going to integrate emerging Sons of Basra, as well, if that is a decision that needs to be made?

Mr. HUNTER. Do you know that they are not doing that? Because obviously they are sitting there with the current status of forces and with the projections of increased accessions into the armed services. And they understand that, that they are going to have more folks coming in. And they have been doing that since we stood up the force as a very small force with just one or two battalions who were really capable of maneuver. So we have gone a long way. But do you know that they are not in fact doing that, that is preparing for this, the continued expansion?

Mr. CHRISTOFF. One of the challenges that even the Department of Defense (DOD) states in its 9010 report is that there is not a cohesive plan to try to take into consideration merging the Sons of Iraq and future Sons of Basra into the Iraqi security forces. And that kind of cohesive and integrated plan still needs to be developed.

Mr. HUNTER. But how about the expansion up to this 600-some thousand?

Mr. CHRISTOFF. One of the interesting challenges that I have talked to military officials about is the oftentimes unexpected increases in the number of authorized levels that the Iraqis desire on the part of the number of security forces. So, yes, they are aware of the 646,000 goal that they want to achieve, but they are also aware of how the Iraqi Government oftentimes increases what their authorized levels are, and then they have to adjust and plan for that.

Mr. HUNTER. Okay.

Well, thank you, and thanks for your testimony. What I would like to see is if you have got some hard recommendations, for example, more academies than they have now; having to some way get a faster throughput of NCOs; hard recommendations that you think would advance the goals. But it looks to me like the goals are pretty well-stated in terms of standing up the Iraqi forces, getting them into the fight. They have actually gotten into the fight in places where they didn't consult us about getting into the fight. And that to me is a good indicia of a government that is becoming more capable and more autonomous. And that military is standing and fighting now where in years past they did not stand and fight. And so I am still kind of having a difficult time understanding what you think General Petraeus and the commanders in the theater aren't doing in terms of standing up the Iraqi army that they could be doing because they all agree with the goal of having a bigger stronger military with more officers and more NCOs.

Mr. DODARO. Congressman, we would be happy to provide for the open record some of our suggestions. And also, this is an area we would like to discuss additionally with you in a closed session.

Mr. HUNTER. Okay.

Do you folks have military expertise in GAO? Do you have, for example, a counterpart to General Petraeus or some folks in his chain of command who are working the training piece?

Mr. DODARO. Well, we wouldn't profess to have that caliber of expertise in GAO, but we have a number of people who have experience. And we have a lot of people who understand how to evaluate the plans and activities both, in the military and the civilian side.

Mr. HUNTER. Okay. Because we want to bring them in and say—I suspect we would bring them in and say, you guys need more NCOs and more officers, and they are going to say we kind of know that, and we have been doing it for years, and this is how we do it.

Mr. DODARO. Our only point in all of this is that, and we can talk a little bit, it would be better to talk about this in the next session.

[The information referred to can be found in the Appendix beginning on page 161.]

Mr. HUNTER. Okay. Thank you Mr. Chairman.

Mr. TAYLOR [presiding]. Thank you, Mr. Hunter.

Gentlemen, I guess I have become a reluctant supporter of the Sons of Iraq policy. I have got to admit being taken back and asking General Petraeus outright, are we bribing these guys not to shoot at us? If my memory is right, his answer was, yeah, would you rather my kids coming home in body bags, and I said, no. So help me with a couple of things. A typical Son of Iraq I am told is paid about $300 a month. Is that correct?

Mr. DODARO. That is correct.

Mr. TAYLOR. I am curious, does that money flow directly from the government, or does it normally flow through a tribal sheik?

Mr. CHRISTOFF. My understanding is that there are contracts that we have with the tribal sheiks who are then responsible for paying the individual members of the Sons of Iraq.

Mr. TAYLOR. Given just a kind of human tendency for the loyalty to follow the money, is anyone actually tracking then where is the loyalty? Is it to the Iraqi Government? Is it to that sheik? And I guess a fair follow-up is, I am presuming that that money is still American money that is paying the sheiks. Has there been any plan articulated—and I really think one sign of success will be when that Iraqi money starts paying the sheiks not to shoot at us and the Iraqi army. Is there a timeline to do that?

Mr. CHRISTOFF. In terms of the Sons of Iraq, those are predominantly Sunnis in Anbar Province. A majority of the money that is going to pay for them would be coming out of the Commander's Emergency Response Program (CERP). When we go to the closed session, I think we can talk about the Sons of Basra and try to get at the latter question of who is or is not paying for them.

Mr. TAYLOR. And I don't think you are being evasive, but I just don't think you answered my question. My question is, I would think one of the mileposts for success would be when the Iraqi Government starts paying the sheiks instead of our Government paying the sheiks. Has there been a proposed timeline to do that? Has that discussion even come up?

Mr. CHRISTOFF. I am not familiar with a timeline. But there is the long-term goal of transitioning these Sons of Iraq——

Mr. TAYLOR. A long-term goal is wonderful. It is like me saying I will get back to 165 pounds. I am not getting there.

Mr. DODARO. My understanding from our staff is that we will be able to provide you an answer to that in the next session.

Mr. TAYLOR. A lot of things—some great questions were asked by former Chairman Mr. Hunter, but almost everything he talked about comes back to money and the need to fund those schools, the need to fund those troops, to pay for those officers. I am curious, if you have, to what extent you have tracked Iraqi oil revenue and how much of the funds—you apparently have tracked how much oil is leaving the country. I am curious if you are tracking how much money is flowing back to the central government.

Mr. DODARO. We have an effort right now to outline the increased revenues associated with the oil production. I will ask Joe to give a little bit more about the specifics. But we hope to have a report out later this month, Congressman, that will illuminate a lot of those issues.

Mr. TAYLOR. Well, I am curious, though, is 80 percent of the money making it back to the central government? Is 90 percent of the funds that should be making it back?

Mr. DODARO. We are still doing some of that work so it is a little premature for us to be able to answer the questions now. But rest assured that we are looking at that issue, and we are going to provide a report.

Mr. TAYLOR. With all due respect, sir, I think that is the issue. I think that as far as paying the sheiks, as far as rebuilding the infrastructure, building the schools, the electricity, all the things that we know are making an average Iraqi angry at us—the lack of electricity, the lack of water, the lack of sewer, the lack of stability—all those things get fixed at a cost. Iraq has the ability, as several of the Administration witnesses told us prior to the war, to pay for this themselves. They obviously are not. So the key question is, to what extent are we tracking those revenues to see to it that they are properly flowing back to the government that they should flow back to.

Mr. DODARO. Let me ask Joe to explain what we are currently doing.

Mr. CHRISTOFF. We are completing work that we are doing on our own authority, but that Senator Levin asked us to specifically look at, in which we will provide you with all of the Iraqi oil revenues, a tally of how much has been generated from 2004 through 2008, what have they spent that money on in terms of their expenditures at the national level, the provincial level, what has been the accumulated surplus as of the end of December 2007, as well as the projected revenues for this year and the projected surplus for this year as well.

[The information referred to can be found in the Appendix beginning on page 163.]

Mr. TAYLOR. Last question is, a long time ago, some friends of mine in the Special Forces community pointed out that they thought it was a terrible idea for our troops, and in particular our senior officers, to have moved into the palaces. They thought from the point of view that you start to look like an occupier, that those palaces were signs of oppressions, that terrible things happened in those palaces when Saddam ran that country, that people were living in poverty, but Saddam was living on a hillside in a palace. So, for a lot of reasons, they thought it was just a very bad move for our forces to move into those palaces. Has any plan been articulated to get our forces out of those palaces? Is that even being discussed?

Mr. CHRISTOFF. I don't have any details on that, sir, other than the gradual move from Saddam's main palace over to the new U.S. embassy. In terms of getting the diplomatic and part of the U.S. military forces that are at the main palace over to our new U.S. embassy, that transition is occurring.

Mr. DODARO. Congressman we will look into that issue and provide you an answer for the record.

Mr. TAYLOR. I am told that the Water Palace alone, the citizens of the United States have spent $30 million to make it look pretty. Again, that is a heck of a lot of money anywhere, and it is particularly a heck of a lot of money back in Bay St. Louis.

[The information referred to can be found in the Appendix beginning on page 163.]

Mr. TAYLOR. The Chair recognizes Dr. Gingrey.

Dr. GINGREY. Mr. Chairman, thank you.

Mr. Dodaro and Mr. Christoff, I wanted to get back into the issue of the security forces, Iraq security forces, in regard to their level of preparedness. And of course, their minister of defense suggested in January that he believed they may be able to take responsibility for internal security as early as the first quarter of 2009. In your view, what would it take to make this a reality?

Now, let me expand that question a little bit, too, because not only do they need to take control of the internal security, but also they need to be able to secure their borders with Syria, certainly with Iran. And a further extension of the question is, we have heard for a long time that the police force particularly was ripe with corruption. There were a lot of problems there. And just kind of give us an assessment of whether or not you think that the Iraq security forces, including the military and police, are at a level that they can take control by the first quarter of 2009, given that we haven't seen a lot of assurances that they can control their external security, their borders, and that there is in fact a lot of corruption, particularly within the police force and touch on the question of the infiltration possibly of Iran into the Iraq security forces and what problem that will present.

Mr. DODARO. Let me ask Joe to respond.

I am not sure that we can give you a prediction. I am not sure that we can give you a prediction along the line of your first question.

I would just note that General Petraeus's statement before this committee and our work both indicate that additional effort is going to be needed to make sure that the Iraq security forces can operate on their own. And I think that the issues, the second part of your question in terms of Iran, I think we would be best answering in the next session of this committee, in the closed session.

Dr. GINGREY. Mr. Christoff.

Mr. CHRISTOFF. In terms of the Iraqi security forces and the transition, right now, we do have an ongoing review in which we are looking at the operational readiness assessments at the battalion level to try to get a better understanding of, within those assessments where are the limitations and where are the capabilities in terms of the logistical capabilities, the manpower, the training. So that is an ongoing review.

In terms of transitioning, that remains a goal of both the United States and the Iraqi Government, to transition all 18 provincial governments so that they are able to control the security situation within their own provinces. And that still is—the timeline is still for January of 2009 to transition at least all but one. There is one in which there is still some disputed territories that have to be resolved before a timeline can be set for that transition.

Dr. GINGREY. I want to go back to a statistic that you gave us in your testimony, Mr. Dodaro, regarding the energy and that I think you said maybe 54 percent. Compare that level to the level of electricity and other infrastructure needs of the people of Iraq under Saddam and also shortly after "Shock and Awe" phase of this operation.

Mr. CHRISTOFF. Under the former regime, electricity in particular was a noticeable disparity where you had most of the electrical power that was being provided to the central region, the Sunni-controlled regions, oftentimes at the expense of the Shi'a south and the Kurdish north. I don't have actual numbers on that in terms of the statistics. But, right now, you have about 10 hours of electricity that is provided in the Baghdad area. You have got more in some of the other areas, roughly between 11 and 16 hours of electricity.

Dr. GINGREY. The reason I bring up the question, because, when you throw out a figure like that, it would suggest that things are really bad infrastructure wise and that there is not water and not electricity and people are suffering. You have to put it in the proper context and say, well, how bad was it before. And if before it was 30 percent and now it is 54 percent, then we have made some significant progress. Now, granted that we would like for it to be 95 to 100 percent. But I mean, I ask you that question. I think it is very important that you try to give us that information so that we are comparing apples to apples.

Mr. DODARO. Congressman, we would be happy to go back and take a look to see what information exists to put it in the proper context. But in the context of my opening statement, I mentioned it in the context of challenges that lie ahead. And certainly the goal was to try to close that gap between demand and supply as much as possible. So I was putting it in the prospective area.

Dr. GINGREY. Right. Not implying then that progress had not been made in this area.

[The information referred to can be found in the Appendix on page 165.]

Mr. TAYLOR. Doctor, there will be a follow-up round.

The Chair recognizes another doctor, Dr. Snyder.

Dr. SNYDER. Thank you Mr. Chairman.

Good morning gentlemen.

I have a couple of questions. You talked about this a little bit, but about a year ago or so, I met with someone who, we were being a little bit critical of Iraqi elected officials, and he said, lighten up on the Iraqi elected officials, we have no idea what they are going through, you don't even know if you or your family will survive when you go off to work each day; it is just a very tough environment to work in. Your report showed some sensitivity of the Iraqi Government on this issue of their ability to spend the capital budgets. One of the frustrating things for us, and I think the American people, is we don't understand; there seem to be some revenues there, substantial amounts of money, but they don't seem to being spent appropriately. I thought in your report you showed some sensitivity in terms of staffing and some others. Would you flesh that out a little bit more about why you think there is a delay in spending some of those dollars, and where this is going?

Mr. DODARO. There are several factors that are influencing that Congressman. Number one, over the past several years, there has been the security situation itself and being able to get out and initiate projects. The other thing is the infrastructure and the procurement systems and the things that are in place to actually execute on the budget. There is some bureaucratic systems that need to be streamlined. But also there is the capability of having enough people that are trained and have the expertise to be able to do it as well.

Joe might add to that list, but I know that those are at least three things that we have recognized as some of the factors that are impeding their ability to execute on their capital budget.

Dr. SNYDER. I would like you to add to that list, but also talk about how that is going to get solved.

Mr. CHRISTOFF. The United States, we have spent probably about $450 million on what we term ministry capacity-building efforts within Iraq. So this is where we have advisors and contractors that are trying to teach the Iraqis how to put together a financial management system, how to do good budgeting procurement, establishing personnel systems. So there are efforts apart of the United States Agency for International Development (USAID) and the State Department and for the Ministries of Interior and Defense, our Defense Department, that are working with the different central ministries to try to help them with these kinds of capacity development efforts.

Mr. DODARO. And one of the things along that line, Congressman, and this goes back to earlier questions, too, about specific recommendations we have advanced for an updated strategy. We do have a recommendation in the past of the fact that the U.S. Government needed an integrated strategy in order to build the capacities and the ministries and also to help support the Iraqis in developing an energy plan. And they are beginning to move forward on those recommendations, but those need to be fleshed out further as well.

Dr. SNYDER. I think it is fair to say, we obviously are not 100 percent perfect ourselves in that kind of procurement as we read these tragic stories about electrocutions of our personnel, and if it is a contracting problem, and some of the other issues that we have had that probably Mr. Waxman's committee has brought out.

I want to ask, and maybe, Mr. Dodaro, you can spend whatever the rest of whatever time I have to talk about the DOD's response to your report, which was they didn't seem to agree with much in it, and then your response to what they had to say, if you would talk about those disagreements.

Mr. DODARO. Sure. There were a couple disagreements with regard to some of the metrics that we were using in the report. For example, in the oil production area, we compared it to a U.S. goal of three billion barrels per day. They felt that that wasn't the right metric. Our counter to that was, that is the metric that has been used in all the U.S. reports, particularly by the Secretary of the Army, in comparing oil production over time. We recognize that it had improved, but that was the specific goal there. They mentioned the electricity area that Congressman Gingrey mentioned. We mentioned, well, that has been the goal, is to try to increase demand, or increase supply as a reflection of demand over there in order to help foster economic development and growth. So we countered their concerns about some of the metrics that we are using. We felt the metrics we were using were the proper ones and had been used consistently by the U.S. Government of providing these reports before.

Now, with regard to the updated strategy, they disagreed. They thought that they had a good strategy and that they were making refinements as necessary going forward and that the joint campaign plan that they had was really the strategy that they were following. We countered that argument by saying, we believe that that campaign plan had some limitations that we had discussed in a classified report, which we are going to discuss with you all in the next session. So we can carry that discussion into that session.

Dr. SNYDER. Thank you.

Mr. TAYLOR. The Chair recognizes Mr. Hayes.

The Chair recognizes the gentleman from North Carolina, Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman.

I didn't know my time had come up.

Good morning, gentlemen. Thank you again for being here.

Several months ago, David Walker was here and gave us an update. One of the things that he said was that he evaluated the benchmarks that were available, but he felt like there were much better benchmarks that would give a better picture of where we were progress wise. And unfortunately, Mr. Walker has left to the private sector. Certainly a gentleman such as you would respect very much.

Would you pick up that line of questioning and talk to me a minute about your own opinion, again based on your experience on the ground, as to what additional—and make very clear, I am not in any way proposing to criticize the benchmarks that you have evaluated—but how can we take this evaluation a little further, and are there things that you feel like we ought to be looking at and talking about that would give us a clearer picture of where we are and what the way forward looks like?

Mr. DODARO. I will ask Joe to elaborate on this a bit.

But, first of all, we in this update took a broader view of the situation there by looking broadly at the security area, broadly at the legislative field and as well as in the economic and infrastructure development that is necessary going forward.

So we think some of the benchmarks, for example, are rather limited in the economic and infrastructure development area. And so that is an area where there could be some additional work that could be done to set those up. But those again are going to be largely driven by the capacity of the Iraqi Government to move forward in those areas. And, therefore, our recommendation to build more capacity and that the U.S. help build capacity in those ministries is very important going forward. We think the legislative benchmarks that have been tracked are the right benchmarks because they go toward progress and political reconciliation, and so we would advocate that those continue to go forward. We do think, in the security area, the benchmarks need to focus on building the capacity of the Iraqi security forces. And there are some in that arena but there could be others along the lines of some of the questions that we were talking about earlier with Congressman Hunter.

But let me ask Joe if he has any additional thoughts.

Mr. HAYES. Thank you.

Joe.

Mr. CHRISTOFF. I think an interesting discussion that we can have in the closed door session, sir, is looking at the joint campaign plan. The joint campaign plan is a conditions-based campaign plan. And not going into the details of that classified plan, but it does offer another venue by which one can measure progress.

Mr. HAYES. Okay. Carrying the discussion forward a little further, Mr. Hunter very appropriately mentioned the fact that training up of an officer corps is a complicated, complex but very necessary part of the process going forward. And noncommissioned officers is something that was a concept completely foreign to I think both the Iraqi Government. And I think Dr. Snyder mentioned the fact that our criticism of the Iraqis in light of what they are doing, although it may be justified, were there things that you specifically saw in terms of Iraqi leadership, both elected and otherwise—in this country, we have elected leadership, appointed leadership and others as well—what did you see in your evaluation that gave you reason to be optimistic about the way forward, aside from the reduction in violence, which I think everybody acknowledges now? What did you see in terms of the culture now with elected officials that have never had them before, and how do you factor that into your evaluation process changing from one guy at the top who says who lives and who dies to an elected group of officials who decide how they are going to order their lives together? Kind of opine on that a little bit for me if you will.

Mr. DODARO. I think basically, in that arena, obviously, Congressman, it is a huge change and a shift to the government structure that they are now pursuing. I think most of the assessments, both in the security area as well as in some of these other areas, have all indicated the difficulty associated with making that transition. The areas that we cited as some progress going forward in terms of the legislation to at least allow for some return of the Baathists to the government was an encouraging sign. The amnesty legislation was an encouraging sign, as well as defining the powers in the provinces.

I think a real test will be getting through this new election law to allow for the provincial elections to take place. As you noted, in press accounts, there was some movement on that yesterday, but there is some question as to whether or not it will indeed be certified to move forward.

Mr. DODARO. With regard to the security area, I think that the increase, the relatively large increase, in the last year in the numbers of trained troops I think provides some basis for encouragement moving forward.

But in the security area, we would agree with General Petraeus and Ambassador Crocker that the situation still remains rather fragile and potentially reversible.

But those are my thoughts on that issue, and I would ask Joe if he wants to add anything.

Mr. CHRISTOFF. I think that you bring up an interesting context point, in terms of looking at how Iraq has moved from a dictatorship, effectively, to a multi-party kind of decision-making structure. I mean, even the presidency, the executive branch is split, with a Kurdish President and two vice presidents, one Sunni, one Shi'a. Then you have this entire new Council of Representatives. You have an emerging judiciary; at best we could call it emerging. And so that is a very, very different context from what Iraq had prior to 2003.

Mr. HAYES. Thank you, Mr. Chairman. I think my time is up.

I wonder if the Iraqis have a GAO equivalent looking at our ability to pass an energy package?

Mr. TAYLOR. The Chair recognizes the gentlewoman from California, Mrs. Davis.

Mrs. DAVIS OF CALIFORNIA. Thank you, Mr. Chairman.

Thank you both for working over these long several years.

During the course of the hearing, you said several times that we are going to have to discuss that in closed session. And that concerns me a little bit because I think that we have a role to play in oversight, and I am wondering to what extent some of those areas in which we are not able to discuss here today are ones that you would have some question about, whether they are not those who had fallen in an area that that would be a problem.

Mr. DODARO. Well, basically, I mean, at the GAO, we do not have classification authority. By law, we need to follow the agency classification requirements. And I might add we have an impeccable record of adhering to the guidelines that are set for classified and other sensitive information.

So, you know, we just follow what the agencies decide to do because they have a broad picture on this from a foreign policy standpoint, a military operation standpoint. We respect that and adhere to it and try to provide the venues.

We have provided probably more classified reports on this subject to the Congress to help it with its oversight capacity as probably any other area I can think of in recent times.

Mrs. DAVIS OF CALIFORNIA. Are there some areas in this discussion, though—it seems like we do want to know a little bit more of those areas. And I understand that you can't cross those lines. But I am, again, just questioning our ability to provide the oversight when there isn't that opportunity to really tackle it in an open fashion.

Mr. DODARO. Right. Well, what I would suggest, as a course of proceeding, is we are happy to spend as much time as we can with you in the closed sessions. But it is really up to the Congress to then deal with the Administration on what information they think should be declassified and could be discussed in an opening setting. I mean, we don't get in the middle of that debate.

Mrs. DAVIS OF CALIFORNIA. Thank you.

We talked a little bit about what some of those benchmarks might be. And one of the areas that you didn't look at—and I can understand that, but I wonder the extent to which you think this is something worthwhile—are the number of Iraqis that are returning to Iraq and the situation that they are experiencing in the countries in which they have gone to and tried to find work, in many cases, not able to do that.

How are we to evaluate that? And do you think that is a reasonable benchmark to look at and to acknowledge the extent to which many professionals and others who are needed so badly in the country are beginning to come back and that will hopefully be a part of the country in the future?

Mr. DODARO. You touch on an important dynamic, and I am going to ask Joe to explain. We are doing some work looking at the refugee issue and some of these other areas, so I will turn it over to him.

Mr. CHRISTOFF. I think even in the Intelligence Community, without going into classified, there is a recognition that internally displaced people (IDP) flows and refugee flows are a reflection of the security condition in a country. And so, when you have 2.7 million Iraqis that have been internally displaced, 2.2 million that are in surrounding countries that have become refugees, that is an important indicator and benchmark of their assessment of the extent to which Iraq is secure.

I spent some time with refugees in Jordan last month, and I am going to Syria. Thankfully with the approval of the Syrian Government, we are going in a few weeks to talk to the predominantly Shi'a refugees, the poorer refugees that are in Syria. The ones in Jordan that we met with were predominantly Sunni, a little more well-off but still in dire needs.

And I agree, and that is the reason why we have an entire review and engagement looking at IDPs and refugees.

Mrs. DAVIS OF CALIFORNIA. At this time, what could you share with us, in terms of the way in which you might evaluate the security by virtue of the number of people who are interested in flowing back? And also their ability to go back to their communities that they lived in for so many years?

Mr. CHRISTOFF. Sure. One of the key questions that we are going to be discussing with the internally displaced coordinator in Baghdad is the opportunities that those Iraqis who do return would be able to go to the homes that they left. And also a very recent proposal in the past couple days that the Council of Representatives might be providing some kind of a package. I have heard up to $8,000 that is in the most recent State Department weekly status report, to provide to those families that decide to return to Iraq.

So those are the kinds of many issues that we are looking at. We are also holding discussion groups with a cross-section of refugees that the United Nations High Commission on Refugees (UNHCR) has put together for us in these groups that we have had, both in Jordan and Syria.

Mrs. DAVIS OF CALIFORNIA. Thank you. We look forward to hearing from you. Thank you very much.

Mr. TAYLOR. The Chair thanks the gentlewoman.

The Chair recognizes the gentleman from Virginia, Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman.

One question. You know, when we discuss essential services in Iraq and the progress that is being made in delivering these services, there is a lot of talk about the different metrics that we should use to evaluate them. I would like to know what your thought is about the best metric to do that.

A lot of times, the metrics we talk about are hours of electricity provided, but there needs to be some association, I think, with the level of satisfaction that citizens in Iraq have. And that, I think, relates back to the legitimacy of the government there.

Can you let us know what you think the metrics that we are using, if they are adequate? Are there other metrics we should be using? And then how should Congress be evaluating the progress there in Iraq?

Mr. DODARO. I think some of the metrics that have been used so far—you know, clean water supplies, electricity demand, oil production—are the fundamental ones that you would want to start with. But they are going to have to become more sophisticated over time and really, I think, be set by the Iraqi Government themselves and to try for us to help them develop the capacity to set their own metrics and to then be accountable to their citizens for delivering on those metrics going forward.

That is why it is real important, though, to get the ministries' capacities developed to able to execute on some fundamentals about their capital budget. Because if they can't execute on the capital budget to build the infrastructure and maintain it and keep it up to date, they really don't have too much ability to get more sophisticated in the measures.

So I think as a starting point they are fine the way they are now, but a lot could be done, as you point out.

Mr. WITTMAN. I am just wondering, too, in the future, should Congress be changing our evaluation metric, as far as success in

Iraq, maybe even before the Iraqis decide to change that? Because, ultimately, I think that has a down-the-road effect on our efforts there.

Mr. DODARO. I think that has to be linked to the funding decisions. Right now, we are at the end of the phase where the U.S.-funded infrastructure developments are taking place and the Iraqis are expected to pick up more of the funding for those infrastructure developments.

So, you know, my feeling would be, as long as the U.S. isn't funding the infrastructure developments, we ought to be helping the Iraqis build the capacity, set their own metrics, and to spend their own money to make improvements in those areas.

Mr. WITTMAN. Back in May, Ambassador Crocker released his assessment of the process, and he utilized about 18 different levels of achievement there. I was wondering, did you agree with his assessment? And can you tell us where you might agree or disagree? And do you believe that those metrics of achievement are adequate? And where are we in that process, from your viewpoint?

Mr. DODARO. We really haven't systematically gone through his assessment yet. And we would be happy to do that and provide it the record. They really used a different approach than what we have used in the past of whether the benchmark has been met or not met or partially met and looked at in terms of whether or not satisfactory progress has been made or not. So I would be happy to provide that for the record.

Mr. WITTMAN. Yeah, I would be interested to know that. Because it seems like if we are going to be collectively measuring progress in Iraq, we all ought to be on the same page about how we are measuring that. It seems to me to be a little disconcerting if Ambassador Crocker is using a different set of criteria and the GAO is maybe using something different.

So I would really like for you all to look into that and make sure we are all evaluating based on the same set of criteria. And then whatever level of success is being achieved, we can communicate that without having five or six different sets of criteria being used by different folks that are there in the country doing a variety of different things.

Mr. DODARO. No, that is an excellent point. And it is also why we are advocating for an updated strategy, so it is clear what goals we are all trying to achieve and how we are going to measure progress. And that is one of the areas that I think greater clarity could be provided in an updated strategy.

Mr. WITTMAN. I agree. I think that is critical to the effort. So I would urge you, if you can, to take Ambassador Crocker's 18 goals there and at least integrate them into your effort to evaluate. And then maybe that can be used as a framework for going forward to setting the strategy to evaluate success.

Mr. DODARO. Some of those are the same ones we are looking at, particularly the legislative benchmark areas and some of the security ones and economic ones as well.

But, I mean, I think the question about how you measure progress has been one that has been nettlesome since the beginning here and continues to be so. But I think improvements in the clarity of the strategy could help.

[The information referred to is classified and retained in the committee files.]

Mr. WITTMAN. Thank you, Mr. Chairman.

Mr. TAYLOR. The Chair thanks the gentleman.

The Chair now recognizes the gentleman from Connecticut, Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman.

Looking at your report, if I had to say what part of the strategy needs to be changed the most, I mean, it seems like the biggest weaknesses have been in the political arena, in terms of the failure to address the big three legislative goals that were set out as a benchmark by both the Administration and GAO a year and a half ago.

And I guess the question I have is, in terms of a new strategy or a new approach, should we be looking at a different way to move these issues forward outside of the Iraq parliament? I mean, is that really a process that we can really count on to deal with the issues of hydrocarbon law or sharing of oil revenue, you know, dealing with the constitutional gaps that still exist in the Iraqi Constitution?

I mean, obviously, this is a very expensive process that we have been going through for the last 18 months, in terms of our country's resources and troops. And a lot of it hinges on whether or not this political institution really is up to it, in terms of resolving these issues.

And, again, you were not very specific in terms of what you would recommend as a new strategy for dealing with the political stalemate over there. And I was wondering if you wanted to address that.

Mr. DODARO. You know, basically, the Iraqi Government has moved to a self-governing, self-determination process over there, and it is really up to them to decide how best to move forward in that arena. I think the decisions for the United States is what kind of a level of investment are we going to continue to make going forward.

So we didn't really make any recommendations in the legislative arena, you know, recognizing that it is really an Iraqi Government decision that needs to be made for them to move forward in a self-governing environment.

Mr. COURTNEY. Well, it seems the situation that I always think is analogous is northern Ireland. You had a situation where the British Government spent 20 years occupying an area where there was a sectarian conflict. A lot of the things that we see in Iraq today look awful familiar. I mean, a peace wall was in the middle of Belfast; we have walls going up in Baghdad.

But the fundamental issues of power-sharing, again, between two sectarian groups was never able to get any traction in the Stormont Parliament. There were elections that were held in northern Ireland year-in and year-out, but the political process was not capable with dealing with the fundamental issues that were keeping the two sides apart.

And it took an outside strategy of a peace process, the Mitchell Commission, to come in and actually force the parties to get serious about resolving these issues, which, again, the normal political process—again, I mean, they had municipal elections, they were sending members to the London Parliament, as well as the Belfast Parliament.

And I just feel that, at this point, we are sort of in a dead-end, in terms of expecting a parliament whose own political support was questionable to begin with, because of the number of groups that were boycotting the elections, is somehow being capable of really moving forward on the political benchmarks.

Mr. DODARO. No, I understand your concern. And we provided some examples of where they have moved and where they still need to be done. And I guess my belief, I mean, whatever decisions are going to be made have to be those types of decisions that are going to be accepted by the Iraqi citizens and have the confidence in. So I am not sure—you know, that is an area that I think is outside the scope of our normal advice.

Mr. COURTNEY. But I have to say, I mean, for you to present a report that says it is time for a new strategy, it sorts of begs the question about, well, what is the strategy? And, to me, it just seems that the political aspect of your report, which accurately describes the nonmovement in terms of some of these issues, really cries out for some suggestions.

And, as I said, if the British Government were still relying on the Stormont Parliament to resolve the issues that were separating the parties over a period of 30 years there, we wouldn't have the Good Friday Peace Accords. I mean, it took a different approach, again, using the leverage that outside forces had in northern Ireland to really create real change there.

And I would hope that GAO would help us in terms of filling in the blank about what that new political strategy would be.

Mr. CHRISTOFF. Sure, if I could just make some comments.

In moving forward in trying to articulate a new strategy, or an updated strategy, there are other actors that I agree have to be factored in. The United Nations (U.N.) is playing some role in Iraq right now. It is helping to set up the provincial elections. But there are still opportunities, perhaps, where the U.N. could do more.

I also refer you to the International Compact for Iraq. This was a document that the Iraqi Government developed in partnership with a whole host of countries, in which Iraq agreed to make progress in terms of the political, legislative, and economic areas in anticipation of further debt reduction—debt reduction that was offered by the Paris Club. They also have to adhere to bylaws that the International Monetary Fund has established to try to control inflation within Iraq.

So I think you do have a host of international actors that have played varying roles in the past, that should be considered for either additional or continuing roles in a future and an updated strategy—U.N., International Monetary Fund (IMF), as well as many of the neighboring countries that Iraq still owes most of its debt to.

Mr. COURTNEY. But it still seems we are stuck with the parliament as the key actor, with that answer.

But I yield back, Mr. Chairman.

Mr. TAYLOR. Thank you, Mr. Courtney.

The Chair now recognizes the gentleman from Texas, Mr. Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman.

Gene and Joe, who asked you to do this report?

Mr. DODARO. Basically, we have, since the Iraq conflict got started, since we were getting a lot of congressional requests in to be able to do the work, we decided that because of the broad interest in the work, we would do this under GAO, the Comptroller General's authority, to initiate evaluations and to provide the reports more broadly.

Mr. CONAWAY. So that the scope restrictions were self-imposed? In other words, no reference to Provincial Reconstruction Teams (PRTs), no reference to United States Agency for International Development (USAID), no reference to training teams, no reference to the new ambassadors that have been appointed. I mean, there seems to be some glaring stuff out there that does play a role on what you are doing, but you chose to ignore all of that, I guess.

Mr. DODARO. No, that is not exactly true at all. We have efforts under way to look at the provincial reconstruction teams. I will ask Joe to explain what we are doing. I mean, we have other efforts under way. This was a particular snapshot in a period of time.

Mr. CONAWAY. Okay. So it is not inclusive?

Mr. DODARO. No. I mention the work we are going to be issuing on the oil——

Mr. CONAWAY. Sure. This report is a month old. How stale is the data you based it on? In other words, when did you finish the field work, and then when did you start writing the report?

Mr. DODARO. We updated the data—for example, the attack data I gave you today in my oral statement was as of last month. So I attempted to update——

Mr. CONAWAY. It is in this report?

Mr. DODARO. It is in my testimony, yes. It is in the testimony. The testimony updated some of the data that was declassified, and we were able to include in there, so it is up to date.

Mr. CONAWAY. Okay. I am a Certified Public Accountant (CPA) and constantly get the question, who audits the auditor? Your recommendation is that the State Department and the Defense Department have not, in effect, don't have a plan, don't have a strategy for Iraq beyond yesterday afternoon. And yet you are telling us this report is not inclusive of the other reports that you are talking about going on and the data that might be used to evaluate this.

What is your benchmark as to—now, obviously, State and Defense told you they do have plans.

Mr. DODARO. Right.

Mr. CONAWAY. And you have disagreed with them.

How do you set your framework up to say, in judgment of the folks who were paid to do that, "No, you are not doing it"? Help us understand how you came to the conclusion that their plan is not there.

Mr. DODARO. Well, a couple of things. I mean, the New Way Forward plan was expected to last for a 12- to 18-month period of time, which has not elapsed. So that is one issue.

The second issue is that the U.N. mandate authorizing the United States to be in Iraq expires at the end of this calendar year.

So, obviously, a new framework needs to be put in place, much of which is being debated right now. I mean, so those parameters are likely to change.

And we also have a classified report that we have issued, which we are going to discuss with you in the closed sessions, that discusses some of the other limitation that we put in place.

We also reference there the fact that we had made recommendations to build the ministerial capacity and also to develop an energy plan in prior reports that we have done. We have referenced, Congressman, in this report, 140 reports we have issued on Iraq since the conflict began, and those inform us going forward. So we have done a lot of work in this area.

Mr. CONAWAY. I mean, a report issued in 2004 on the circumstances then is relevant today?

Mr. DODARO. Well, in terms of understanding where we were. As a CPA, you understand the baseline data and comparing one year to the next year in terms of the report. So it is important to have the perspective, particularly in terms of some of the strategies that were tried during those periods of time that didn't work.

One of the reasons that the New Way Forward was put in place was to address some of the deficiencies in the prior strategies that had been put in place before. And, as we pointed out, some gains were made as a result of revising that strategy.

So I think, absent a revision on the strategies over these past few years, you know, there would be questions whether we would be having the gains we have had.

Mr. CONAWAY. We have had gains then?

Mr. DODARO. Yes.

Mr. CONAWAY. How do you assess the change in Administration that will happen in January and the impact? I mean, how do you put together a comprehensive plan today, knowing that in January there is going to be a whole new team? How do you do that?

Mr. DODARO. Well, there are a couple of perspectives. And this happens throughout the Federal Government as part of our system of operations. And, to me, the real important points are, number one, the U.N. Mandate expires before the Presidential transition will take place. It expires at the end of this calendar year. So something is going to have to be decided in that arena going forward.

We are spending a lot of money. We are talking about several months between now and the time that happens. And then the new Administration will have to get its team in place and to make decisions.

So, as part of our system of government, there is always a plan to have a smooth transition in the reins of power from one Administration to the other. And a lot depends on the professionalism of the people who prepare from a stewardship standpoint to prepare that next Administration. And I think it is a responsible thing to do.

Mr. CONAWAY. Yeah, but you wouldn't expect a dramatic change in strategy to be effected now, versus the pretty standard stuff, do the status of forces agreement, continue to push on the Iraqis to do the legislative stuff, and continue to push on them to develop resources on infrastructure, own resources on security, all those kinds of things. You wouldn't expect some sort of dramatic change apart from that, would you?

Mr. DODARO. Our recommendation calls for an updated strategy, an updated one.

Mr. CONAWAY. All right, Gene, thank you.

Yield back.

Mr. TAYLOR. The Chair thanks the gentleman from Texas.

The Chair recognizes the gentleman from Iowa, Mr. Loebsack.

Mr. LOEBSACK. Thank you, Mr. Chair.

Thanks to both of you for being here today and the report and all the work that you put into that.

I just want to raise again the issue of the Sons of Iraq and then, after that, the Sons of Basra, but beginning with the Sons of Iraq.

Your report does talk about how they have contributed, obviously, to the fight against al Qaeda in Iraq (AQI), and also that many of these were members, if not most, members of the Sunni insurgency, and that some have not reconciled with the Government of Iraq and could once again become a danger.

And you mentioned the tribalism issue. There are many folks out there now, obviously, and in the past but now, who are concerned about a potential resurgence of tribalism, if you will, just sort of looking forward, depending on how this goes.

And I would like you to talk a little bit about, sort of, following up on some of the previous questions, sort of, what steps do you believe should be taken in developing a strategy going forward to ensure that the Sons of Iraq and the Government of Iraq continue as partners in security going forward?

Mr. DODARO. Let me ask Joe.

Do you want to take that?

Mr. CHRISTOFF. I think in terms of the Sons of Iraq, there still has to be some decisions about how many do you integrate into the Iraqi Security Forces and how many do you integrate into local employment?

Those are going to be tough questions, predominantly because of the fact that you have, quite frankly, a Shi'a government that may not be welcoming of additional Sunni forces that, for now, are local neighborhood forces in Anbar province. You also have extremely high unemployment rates in Anbar province. And so, those are going to be difficult but important decisions that are going to have to be made in developing what DOD has called for—that is, a cohesive transition plan.

So, not only for the ones that have been around, the Sons of Iraq, but for those that are emerging, the Sons of Basra—are they going to be part of the ISF? Local employment? Who is going to pay for them up to that point in time?

Mr. LOEBSACK. Can you flesh that out a little bit more? We were talking about a little bit with Congressman Taylor at the outset here, but the role of the tribal groups too. Because, obviously, these are interlinked.

Mr. CHRISTOFF. That is really an interesting question with the tribal groups, because, in many regards, the Sons of Iraq are tied to the tribal groups; they are tribal in nature. And they saw their tribe as being their predominant motivating factor, more than the Sunni ties in general.

What you are seeing, particularly in Anbar province, is this desire on the part of the tribal leaders to participate in the political process, to have representation on the provincial councils right now. Right now there isn't representation.

So I think it is going to be a very interesting dynamic, not only from a security or military point of view in integrating those under arms, but the leaders who do want to participate within a political process. That is why those provincial elections are important as well.

Mr. LOEBSACK. Do you see potential conflict among those tribal leaders? Because, obviously, in the past, there has been that conflict. We, obviously, here in America, didn't pay much attention to it in earlier times. But do you have any fear that some of those traditional tribal conflicts that were played out before that were often submerged, obviously, by Saddam Hussein in his security system, that those may play out again?

Mr. CHRISTOFF. I don't know if we—we really haven't looked into that in detail, but I think you have hit on the issue of it is no longer looking at Sunnis, Shi'as, and Kurds; it is looking at the underlying tribes associated with each of those groups.

Mr. LOEBSACK. Right. Right.

Talk about the Sons of Basra, if you will. Because I think this is a relatively new development, is it not? That is not something we have heard that much about in this committee.

Mr. CHRISTOFF. You will hear more about that in the closed-door session.

Mr. LOEBSACK. Okay. So, at this point, you are unwilling to talk a little bit more about that in open session?

Mr. CHRISTOFF. The vast majority of information that we have is classified.

Mr. LOEBSACK. Okay. All right. Thank you very much.

And I yield back my time.

Mr. TAYLOR. The Chair thanks the gentleman.

The Chair now recognizes the gentleman from Indiana, Mr. Ellsworth.

Mr. ELLSWORTH. Thank you, Mr. Chairman.

Thank you, gentleman, for being here.

When you sit in enough of these hearings, you start reflecting back on things you have heard in the other hearings. And I can remember that we talked about that we weren't going to be rebuilding the country. And I see on the front cover, it says, "Stabilizing, Rebuilding Iraq." And I can remember Secretary Rice sitting there at that table one day and saying that we have to teach the Iraqis how to spend their money. And I thought, as Mr. Hayes said, I am not sure our country is the best one, with a $9 trillion debt.

But can you talk about—one of the things, when Chairman Taylor and I went to Iraq, one of the issues we jumped into was the corruption. And can you tell me—I was noticing here that some of the reports, people talking about that 30 percent of the oil production that was going on in Iraq was peeled off and going other places than where it should be, and just general corruption. I see here on one of the pages it says we made a $2.7 billion U.S. investment in oil production, and yet it is still not up to snuff of what they should be producing in our goals and their goals.

Does GAO have a general sense on where we are going with the country? I know we have talked about it with some of the reconstruction teams, that the sheikhs are still demanding a cut when they are building a bridge or a road. Any thoughts on that or glimmers of hope in that area, that the country is becoming more fair-minded and doing things the way we would normally do them?

Mr. CHRISTOFF. The oil area is a really interesting area. Here is an area in which Iraq is sitting on 115 billion barrels of proven reserve—enormous potential in terms of exports. Yet one of the problems that relates to corruption in Iraq in the oil sector is the fact that very little is metered. The production sites have no meters. There is only one meter that is at the port in southern Iraq that tries to keep track of the exports.

And when you look at the audits that have been done by the International Advisory Monitoring and Board, they are actually now showing statistics in which are there are three different projections of how much Iraq might have produced, because we lack this metering. Our Energy Information Administration has one projection, the State Department uses the Ministry of Oil projections, and there is a third projection by the Central Bank of Iraq. And they are all different.

And oftentimes that difference is the result of the poor metering or, also, the diversions that you refer to. The State Department talks about 10 to 30 percent of oil that is being produced could be diverted onto the black market or smuggled out of the Iraq.

It continues to remain a problem. And the United Nations called for meters under the oil-for-food program in 1999, and they still haven't been installed.

Mr. ELLSWORTH. Do we know where that is going? The black market and other countries—any idea what countries they are talking about? Do we have any idea where that is going?

Mr. CHRISTOFF. Your intelligence agencies do.

Mr. ELLSWORTH. You just mentioned the Central Bank of Iraq. Is there an existing and functioning Central Bank of Iraq right now?

Mr. CHRISTOFF. Yes, there is.

Mr. ELLSWORTH. Good. That is good to know.

Any other comments on just general—with the American dollars that are going, like I said, it was disturbing to me to hear that, as part of the contracting process, that there was still a lot of challenges in that, that people were expecting to get a cut to build a bridge. Are we seeing improvement in that area, or are we still having the challenges there?

Mr. CHRISTOFF. Well, we are transitioning now. Probably 90 percent of the billions that you all obligated for construction, 90 percent has been obligated. So for all effective purposes, it is the Iraqis' effort to step up to the plate with a sizable bid of oil revenues that they will get this year. And the report that we are going to issue shortly will tell you the rather large surplus that is expected this year as a result of the increase in prices, the world market prices, as well as the increase, modest increases in productions that the Iraqi Oil Ministry has been able to achieve this year.

Mr. ELLSWORTH. Thank you both.

Mr. Chairman, I would yield back.

Mr. TAYLOR. Thank you.

The Chair recognizes an Iraqi war vet, Mr. Murphy of Pennsylvania.

Mr. MURPHY. Thank you, Mr. Chairman.

Thank you, gentlemen, for testifying today. We appreciate your service to our country.

I want to kind of piggyback on my colleague from Indiana's comments and your remarks about the transition and getting Iraqis to step up to the plate.

Your report states that, between 2005 and 2007, Iraq only spent 24 percent of its budget for its own reconstruction efforts. However, we, the United States America, have spent $169 million in 2005 and 2006, another $395 million in 2007 and 2008 toward helping Iraqi ministries stabilize and rebuild Iraq.

So I know we have said—Mr. Ellsworth and I are Blue Dog Democrats. We have said repeatedly in this committee that, you know, the Iraqis will not stand up for their country unless Americans stop doing the heavy lifting for them. We need to hold them accountable.

So my question is, how can we best pressure Iraq to spend their own money to rebuild their country? I know you advocate a new strategy. But in layman's terms to the American public here and to us in this committee, what can we do to best get them off the sidelines and, as you said, step up to the plate?

Mr. DODARO. Well, I think the best approach, Congressman, is the approach that has been taken, is to not provide additional funding for those activities and to shift the burden to them for funding those activities, and to provide technical support and assistance.

I wouldn't underestimate moving to a different structure and what type of technical capacities that they are going to need to be able to do that. We have seen that in other governments around the world.

So I think placing the responsibility with them for funding these activities and for the United States to provide technical assistance and support to build their infrastructure and the ministries is a reasonable approach going forward.

Mr. MURPHY. Do you have any additional comment, sir?

Mr. CHRISTOFF. No.

Mr. MURPHY. Okay. I want to turn now to some of the metrics they used earlier. I know there was a comment from both sides about the metrics that we use and that we use different metrics.

How about—what I have not seen is, has there been polling, whether it is classified or unclassified, that is being done with Government taxpayers' money in Iraq?

Mr. DODARO. In Iraq? I believe the Defense 9010 report, the latest one in June, Congressman, had some polling information in it, in terms of polling Iraqi citizens' views on some of services that have been provided. We will be happy to provide that for the record to you. I don't have the statistics off the top of my head, but there has been some polling done.

Mr. MURPHY. Okay. And does that polling also describe whether or not the Iraqi people want us there? You know, we all understand the political dynamics that are going on right now, with

Prime Minister Malaki and the 2010 date. We also know it is an election time for the Prime Minister. And we also understand that, since 2005, when he was running the last time, he said he would share oil revenues with the Sunnis, the minorities. He said it in 2005, 2006, 2007, and 2008, and he has yet to do it. So I think a lot of us in this committee rightfully are frustrated, and we are demanding some accountability here, and we appreciate your assistance on that.

Fifty-four percent, in your report—I want to go now to electricity—54 percent of the Iraqi electricity demand is being met. Obviously, electricity is a major quality-of-life issue for the everyday Iraqi and their frustration that, because they don't have electricity, they are blaming us. Whether that is rightful or not, they are blaming us.

In your opinion, how important is the inability of the Iraqi Government to provide these basic services, like potable water, like electricity, to the Iraqi people? And how much is their inability to do these basic services fueling the insurgency against our American forces?

Mr. DODARO. On the first part of your question, I would say, obviously, the inability to provide central basic services reflects poorly on the government. Basically, governments exist, as you know, to provide those type of services, so it is obviously very important that those issues be attended to and appropriate investments be made.

I would ask Joe if he has any comments on the second part of your question, Congressman.

Mr. CHRISTOFF. Well, I clearly agree. Providing essential services to the Iraqi people is an indication of whether or not they have faith in their government. And if you have been to Iraq and you have flown over Baghdad low, for example, in the electricity area, you see generators everywhere, you see strings of transmission lines. That is Iraqis trying to take things in their own hands, because they, in some regards, have lost faith in the national grid to provide them with the kind of basic electricity that they want. They want electricity 24 hours a day, not the 8 in Baghdad or the 10 throughout the rest of the country.

Mr. MURPHY. I think for the American taxpayer at home and the American citizen, I mean, they are looking at, okay, electricity, basic services, 54 percent of the need is getting met. There is a frustration. You are talking about the faith in your government. You are looking at also, at the same time, quoting your study, saying they are only spending less than a quarter of their budget on reconstruction that they promised their people and us that they are going to spend on.

Mr. CHRISTOFF. Right.

Mr. MURPHY. And so, again, the connection—and I think the American people are starting to get, that many of us get here, is that because they are not performing, it is affecting the lives of the American warfighter that is serving our country over there. And I think that is why you are getting a lot of this frustration here.

You know, we appreciate your time, wrapping your arms around this issue and helping guide us on this accountability. But I think for the people out there to understand that we are trying to do everything in our power to fight for our American warfighter, whether it is getting them Mine Resistant Ambush Protected (MRAP) vehicles in there this year, or whether it was making sure they got the 3.5 percent pay increase, or making sure to put the pressure on the Iraqi Government to step up to the plate and stand up for the Iraqi people, because it is affecting the lives of our soldiers as well. So we appreciate your assistance on that.

I yield back to the chairman.

[The information referred to can be found in the Appendix beginning on page 167.]

Mr. TAYLOR. The Chair thanks the gentleman from Pennsylvania.

The Chair now recognizes the gentleman from Washington State, Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

I want to thank the GAO from coming and helping us out. I know sometimes we can, kind of, get tough with you all because your job is sometimes to tell us things we don't want to hear, and, as a result, we get our backs up a little bit because we are not used to having people tell us what we don't want to hear. But that is your job, and I appreciate it very much.

With regards to the security issues and the security forces, Iraq security forces, I noted that in your report, page four, in developing Iraqi security forces you note some of the numbers about how many have been trained versus assigned. And you also note the DOD reports the number of security force units deemed capable of performing operations without coalition assistance has remained at 10 percent.

And I apologize for not being here, and if this has been answered already, I will ask you to summarize that answer.

But it seems to me that, for the last five years, we have been asking questions about the Iraqi security forces and their ability, particularly the military, to be specific, the military, their ability to do operations on their own. And even if that number, the total number of security forces and military folks are increasing, and even if the number of brigades that can operate independently is increasing, it still seems to me that we are forgetting something very important here. Although they might be in a lead, would they know where they were supposed to go to take a military action without the logistical and communications and intel support they are getting from coalition forces, namely the United States?

And I am curious if you have looked at that particular question, as opposed to just looking at raw numbers of security forces, and trying to understand what it really means to operate independently or even in the lead. Operating in the lead does not mean you are operating by yourself, and I think we confuse that around here and give it more credit than it is worth, frankly.

Mr. DODARO. That is one of the reasons, Congressman—I will ask Joe to elaborate—why we focus on the operational readiness assessment levels. Because the level one is really the level that is judged to operate the most independently, and that hasn't changed over the period of time.

So the logistical, the intelligence, the air support and other things that are being received from the U.S. and the coalition assistance are still very, very important. And unless that number in level one changes over a period of time, there are still varying degrees of dependency there.

And I would ask Joe to elaborate on it.

So that is why we try to provide both to the Congress, both raw numbers of what are available, what are trained, and then what DOD's assessments are. Those are not GAO's assessments. Those are DOD assessments, and properly so.

Mr. CHRISTOFF. And our November 2007 report actually deals with this very question. Not only what is the definition of "independent" and their emerging and changing definitions of "independent," but also the fact that even those forces that are at the highest readiness level still, in some respects, are dependent upon the United States for logistics, for movement, for command and control, and intelligence.

Mr. LARSEN. Well, I think we were told last week or the week before that, perhaps by the middle of next year, there would be enough trained Iraqi security forces that would have met that goal. And that seemed to be a positive headline. But what I had failed to discern from his comments was a repeat of what he said the last time he was here, which was really talking about the fact that they have basically a hollow military—that is, lots of privates and corporals, a few generals and nothing in between, very little in between. And it might be 5 to 10 years before they achieve that. The second point was about logistics, intel and communications, and it would be 5 to 10 years before they develop an organic capability within their own military.

Is that something you agree with or disagree with? Have you had reports based on those issues?

Mr. DODARO. Yes, we have issued some reports on the dependency there, but also this is an issue that we are planning to discuss in the next session with you as well.

Mr. LARSEN. Okay.

Mr. DODARO. So I hope you are able to join us, sir.

Mr. LARSEN. Yeah, I have a little bit of time.

And I see the red light is on, but if I could just make a point.

Mr. TAYLOR. Mr. Larsen, if you notice, there is no one around to get mad at you.

Mr. LARSEN. Yes, I noticed that.

So if there is no one else, Mr. Chairman, I will continue. Just quickly then, perhaps in the next session. Are we going to that immediately after this? At noon?

Mr. TAYLOR. 12:30.

Mr. LARSEN. Perhaps we can talk about the integration of U.S.-approved militias into the military, like the Sons of Iraq and discuss that next.

Mr. DODARO. Yes.

Mr. LARSEN. I just also note, Mr. Chairman—and my last trip to Iraq was last year, last September. You noted the various factors that have brought down violence, and all those are important factors. Another important factor is the relationship between concrete barriers and the security level. I mean, if you put concrete barriers 10 feet high on every street in Baghdad, security is going to increase. And that is what Baghdad looks like. Again, we tend to talk about security in Iraq like things are wide open and people can travel anywhere they want. They can't. They can't. There is a direct relationship between the height and number of concrete barriers and the security situation. The test will be when those concrete barriers come down and whether the security holds. That will be the test.

So I am not—I mean, it is great that violence is down. Any time there are fewer people getting killed, that is great; I support that. But the test will be when those barriers come down, not when they are up.

Mr. TAYLOR. Gentlemen, you touched on a couple of things I would like you to follow up on.

If my memory is right, around Easter of 2005, the Kuwaitis informed our Government that they would no longer supply all the fuel for free, and that they started charging us the market price for fuel.

I am curious, and have a very vivid memory of seeing the convoys lining up just before dark leaving Kuwait, hundreds of trucks, knowing that those guys had very long drives through very dangerous territory. And although we are grateful for the Kuwaitis' incredible cooperation, although we want to financially reward them for that cooperation by buying fuel from them, to what extent are we trying to buy fuel in Iraq from the Iraqis? To what extent do we try to buy it at the price that they sell it to their own people for?

And last is one of my colleagues, and I hate to put him on the spot, but one of my colleagues has been using the number that the number of gallons per GI per day is somewhere in the 20's. I can't remember if it is 21 gallons a day or 26 gallons a day, but it is a fairly substantial price tag just to keep them warm in the winter, cool in the summer, getting them from place to place safely. So we are talking about a substantial amount of money here.

So to what extent are we trying to buy fuel in Iraq at the same price the Iraqi Government charges their own citizens?

Mr. DODARO. Mr. Chairman, we can find that out and provide it for the record. We are not prepared to address that right now, but we can get those answers and provide them to you.

[The information referred to can be found in the Appendix beginning on page 163.]

Mr. TAYLOR. Okay. For the record, you raised a great point because obviously someone is metering that oil. That tanker is being paid by how much oil he transports. That tanker, when he gets to a refinery somewhere in the world, is unloading that and keeping very detailed records because at $130 a barrel they are not going to be giving that stuff away.

So to what extent, knowing how important all of this is—it is the life boat of Iraq, it is going to fund all of those projects that Mr. Murphy and Mr. Hunter said have to happen for this country to stand up on their own feet—to what extent have you encountered our Government insisting on some form of accountability?

It is my understanding that somewhere in the neighborhood of 80 percent of all the Iraqi oil flows through two terminals offshore. It is not like you don't have a—so you do have a very narrow choke point to measure it. To what extent are we insisting on that?

Mr. CHRISTOFF. I don't know. Good question.

Mr. DODARO. Again, that is an excellent question. We will look into that and get you an answer.

[The information referred to can be found in the Appendix on page 163.]

Mr. TAYLOR. Well, it just strikes me as something pretty simple that we ought to be asking. And if the Administration isn't going to come forward and do that, it is something this Congress—if we were looking at a timeline, that is something that should absolutely ought to have a timeline.

Mr. DODARO. That is a very reasonable question, Mr. Chairman. I agree completely with you. And we will get you an answer.

Mr. TAYLOR. Okay. What is a reasonable amount of time to expect for an answer on those questions I just asked you?

Mr. DODARO. Let us do some—we will get back to you with a timeline, but as soon as we can.

Mr. TAYLOR. Sir, how about doing better than that? How about giving me a time specific that I can count on?

Mr. DODARO. We will, within the next two weeks, give you an answer.

Mr. TAYLOR. That is great. Okay.

Well, you have about 40 minutes to go eat your lunch, and we will see you back at 12:30.

Mr. DODARO. Okay. Thank you.

Mr. TAYLOR. Thank you very much.

[Whereupon, at 11:53 a.m., the committee was adjourned.]

APPENDIX

JULY 23, 2008

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JULY 23, 2008

United States Government Accountability Office

GAO

Testimony before the Committee on
Armed Services, House of Representatives

For Release on Delivery
Expected at 10:00 a.m. EDT
Wednesday, July 23, 2008

SECURING, STABILIZING, AND REBUILDING IRAQ

Progress Report: Some Gains Made, Updated Strategy Needed

Statement of Gene L. Dodaro, Acting
Comptroller General of the United States

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Highlights

Highlights of GAO-08-1021T, a testimony before the Committee on Armed Services, House of Representatives

Why GAO Did This Study

In January 2007, the President announced a new U.S. strategy to stem the violence in Iraq and help the Iraqi government foster conditions for national reconciliation. In *The New Way Forward*, the Administration articulated near-term goals to achieve over a 12- to 18-month period and reasserted the end state for Iraq: a unified, democratic, federal Iraq that can govern, defend, and sustain itself and is an ally in the war on terror. To support this strategy, the United States increased its military presence and financial commitments for Iraq operations.

This testimony discusses (1) progress in meeting key security, legislative, and economic goals of *The New Way Forward*; and (2) past and current U.S. strategies for Iraq and the need for an updated strategy.

GAO reviewed documents and interviewed officials from U.S. agencies, MNF-I, the UN, and the Iraqi government. GAO also had staff stationed in Baghdad. Since 2003, GAO has issued about 140 Iraq-related products, which provided baseline information for this assessment.

What GAO Recommends

GAO recommended that DOD and State, in conjunction with relevant U.S. agencies, develop an updated strategy for Iraq. DOD and State disagreed, asserting that *The New Way Forward* remains valid and that the Joint Campaign Plan guides U.S. efforts in Iraq.

To view the full product, including the scope and methodology, click on GAO-08-1021T. For more information, contact Joseph A. Christoff at (202) 512-8979 or christoffj@gao.gov.

July 23, 2008

SECURING, STABILIZING, AND REBUILDING IRAQ

Progress Report: Some Gains Made, Updated Strategy Needed

What GAO Found

The United States has made some progress in achieving key goals stated in *The New Way Forward*. Looking forward, many challenges remain, and an updated strategy is essential.

- In the **security** area, violence—as measured by the number of enemy-initiated attacks—decreased about 80 percent from June 2007 to June 2008, trained Iraqi security forces have increased substantially, and many units are leading counterinsurgency operations. However, as of July 2008, 8 of 18 provincial governments do not yet have lead responsibility for security in their provinces, and DOD reported that, in June 2008, less than 10 percent of Iraqi security forces were at the highest readiness level and therefore considered capable of performing operations without coalition support. The security environment remains volatile and dangerous.

- In the **legislative** area, Iraq has enacted key legislation to return some Ba'athists to government, grant amnesty to detained Iraqis, and define provincial powers. The unfinished Iraqi legislative agenda includes enacting laws that will provide the legal framework for sharing oil revenues, disarming militias, and holding provincial elections.

- On **economic and infrastructure** issues, Iraq spent only 24 percent of the $27 billion it budgeted for its reconstruction efforts between 2005 and 2007. Although crude oil production improved for short periods, the early July 2008 average production capacity of about 2.5 million barrels per day was below the U.S. goal of 3 million barrels per day. In addition, while State reports that U.S. goals for Iraq's water sector are close to being reached, the daily supply of electricity in Iraq met only slightly more than half of demand in early July 2008.

Since 2003, the United States has developed and revised multiple strategies to address security and reconstruction needs in Iraq. *The New Way Forward* responded to failures in prior U.S. plans and the escalating violence that occurred in 2006. However, this strategy and the military surge that was central to it end in July 2008, and many agree that the situation remains fragile.

GAO recommends an updated strategy for Iraq for several reasons. First, much has changed in Iraq since *The New Way Forward* began in January 2007. Violence is down, U.S. surge forces are leaving, and the United States is negotiating a security agreement with Iraq to replace the expiring UN mandate. Second, *The New Way Forward* only articulates U.S. goals and objectives for the phase that ends in July 2008. Third, the goals and objectives of *The New Way Forward* are contained in disparate documents rather than a single strategic plan. Furthermore, the classified MNF-I/U.S. Embassy Joint Campaign Plan is not a strategic plan; it is an operational plan with limitations that GAO will discuss during the closed portion of the hearing.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss GAO's recent report on U.S. efforts to secure, stabilize and rebuild Iraq.[1] This report addressed (1) progress in meeting key security, legislative, and economic goals of *The New Way Forward*; and (2) past and current U.S. strategies for Iraq and the need for an updated strategy.

In January 2007, the President announced a new U.S. strategy to stem the high levels of violence in Iraq and help the Iraqi government foster conditions for national reconciliation. In *The New Way Forward*, the Administration articulated near-term goals to achieve over a 12- to 18-month period and reasserted the long-term goal or end state for Iraq: a unified, democratic, federal Iraq that can govern, defend, and sustain itself and is an ally in the war on terror. In support of this new strategy, the United States increased its military presence and financial commitments for operations in Iraq. In April 2008, the U.S. Ambassador to Iraq and the Commanding General of the Multinational Force-Iraq (MNF-I) testified that significant progress had been made toward achieving U.S. goals but that progress was fragile and reversible.

From fiscal year 2001 through July 2008, Congress provided more than $800 billion to the Department of Defense (DOD) for the Global War on Terrorism.[2] The majority of this amount has been for military operations in support of Operation Iraqi Freedom. Moreover, since fiscal year 2003, about $48 billion has been provided to U.S. agencies for stabilization and reconstruction efforts in Iraq, including developing Iraq's security forces, enhancing Iraq's capacity to govern, and rebuilding Iraq's oil, electricity, and water sectors, among others.[3]

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[1] GAO, *Securing, Stabilizing, and Rebuilding Iraq: Progress Report: Some Gains Made, Updated Strategy Needed*, GAO-08-837 (Washington, D.C.: June 23, 2008).

[2] This figure includes appropriations for domestic and overseas military operations in support of the Global War on Terrorism, such as Operation Noble Eagle, Operation Enduring Freedom, and Operation Iraqi Freedom, as well as stabilization and reconstruction appropriations for Iraq and Afghanistan. Of this amount, $65.9 billion will be available October 1, 2008.

To complete our work, we reviewed documents and interviewed officials from the Departments of Defense, State, and the Treasury; MNF-I and its subordinate commands; the Defense Intelligence Agency; the National Intelligence Council; and the United Nations (UN). We also reviewed translated copies of Iraqi documents. In support of this work, we extensively utilized staff stationed in Baghdad from January through March 2008. Since 2003, we have issued about 140 Iraq-related reports and testimonies, which provided baseline information for our assessment.[4] We performed this work in accordance with generally accepted government auditing standards.

Summary

The United States has made some progress in achieving key goals stated in *The New Way Forward*. For example, overall violence in Iraq has declined. Iraq has also enacted key legislation to return some Ba'athists to government and give amnesty to detained Iraqis. However, we agree with assessments that progress made in Iraq is fragile and many unmet goals and challenges remain. Future U.S. strategies should build on recent security and legislative gains and address the remaining challenges for the near and long term.

- In the **security** area, violence—as measured by enemy-initiated attacks—decreased about 80 percent from June 2007 to June 2008, the number of trained Iraqi security forces has increased substantially, and many Iraqi units are leading counterinsurgency operations. However, as of July 2008, 8 of 18 provincial governments must still assume lead responsibility for security in their provinces. In addition, DOD reported that, in June 2008, less than 10 percent of Iraqi security forces were at the highest readiness level and therefore considered capable of performing operations without coalition support.[5] The security environment remains volatile and dangerous. DOD reports that the United States has not achieved its goal of defeating al Qaeda in Iraq, local security forces (such as Sons of Iraq) have not reconciled with the central government, and the cease-fire agreement with the Mahdi Army remains tenuous.

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[3] This amount includes $2 billion appropriated in June 2008 for reconstruction and stabilization activities in Iraq in the Emergency Supplemental Appropriations Act, 2008, P.L. 110-252. This amount does not include $1.1 billion appropriated in the same Act for similar activities in Iraq after October 1, 2008. About $20 billion for improving Iraqi security forces included in this amount is also included in DOD's reporting of Global War on Terrorism appropriations.

[4] To see GAO reports on Iraq, click on http://GAO.gov/docsearch/featured/oif.html.

- In the **legislative** area, Iraq has enacted key legislation to return some Ba'athists to government, grant amnesty to detained Iraqis, and define provincial powers. However, questions remain about how the laws will be implemented and whether the intended outcomes can be achieved. Additionally, Iraq has not yet passed legislation that will provide the legal framework for sharing oil revenues, disarming militias, and holding provincial elections. The Iraqi government also faces logistical and security challenges in holding the scheduled 2008 provincial elections—a key element of reconciliation for Sunnis. Finally, the government has not completed its constitutional review to resolve issues such as the status of disputed territories and the balance of power between federal and regional governments.
- On **economic and infrastructure** issues, Iraq spent only 24 percent of the $27 billion it budgeted for reconstruction efforts between 2005 and 2007. Although oil production improved for short periods, the July 2008 average crude oil production capacity of about 2.5 million barrels per day[6] was below the U.S. goal of 3.0 million barrels per day.[7] In addition, while State reports that U.S. goals for Iraq's water sector are close to being reached, the daily supply of electricity in Iraq met slightly more than half of demand in early July 2008.[8]

Since 2003, the United States has developed and revised multiple strategies and plans to address security and reconstruction needs in Iraq. The current strategy—*The New Way Forward*—responded to failures in prior U.S. plans that prematurely transferred security responsibilities to

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[5] DOD, *Measuring Stability and Security in Iraq: Report to Congress in Accordance with the Department of Defense Appropriations Act 2008, Section 9010,P L. 109-289* (Washington, D.C.: June 2008).

[6] Department of State/Bureau of Near Eastern Affairs, *Iraq Weekly Status Report*, July 9, 2008.

[7] This is the U.S. goal as stated in *Secretary of the Army Update, Gulf Regional Division, Iraq*, April 3, 2008.

[8] *Iraq Weekly Status Report*, July 9, 2008.

Iraqi forces or belatedly responded to growing sectarian violence. *The New Way Forward* was developed to address the escalating violence in 2006. However, this strategy and the military surge that was central to it are planned to end at the end of this month. Moreover, the UN mandate authorizing MNF-I to maintain security and stability in Iraq expires December 31, 2008.[9] The United States and Iraq are conducting negotiations to provide the legal basis for the United States and its coalition partners to continue operations to support the Iraqi government after the UN mandate ends. Accordingly, we recommended that the Departments of State and Defense develop an updated strategy for how the United States will help Iraq achieve key security, legislative, and economic goals. This strategy should build on recent security and legislative gains, address unmet near- and long-term goals, and clearly articulate future goals, objectives, roles, responsibilities, and resources needed. The departments stated that they will review and refine the current strategy as necessary but asserted that *The New Way Forward* remains valid. DOD also stated that the classified Joint Campaign Plan provides a comprehensive, government-wide plan to guide U.S. efforts in Iraq.

We affirm the need for an updated strategy for several reasons. First, much has changed in Iraq since January 2007, when the President announced *The New Way Forward*. Violence is down, U.S. surge forces are leaving, and a new framework for the U.S. presence in Iraq needs to be agreed upon beyond the UN mandate. Second, *The New Way Forward* only articulates U.S. goals and objectives for the phase that ends in July 2008. Third, the goals and objectives of *The New Way Forward* and the phase that follows it are contained in disparate documents rather than a single strategic plan. Furthermore, the classified Joint Campaign Plan[10] is not a strategic plan; it is an operational plan with limitations that we will discuss during the closed portion of this hearing.

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[9] UN Security Council Resolution 1790 (Dec. 18, 2007); S/RES/1790 (2007); S/RES/1546 (2004).

[10] GAO, *Stabilizing Iraq: DOD Should Identify and Prioritize the Conditions Necessary for the Continued Drawdown of Forces in Iraq*, GAO-08-700C (Washington, D.C.: June 2008).

Some Gains Made; Certain Security, Legislative, and Economic Challenges Remain

The United States has made some progress in achieving key goals stated in *The New Way Forward*; many challenges remain.

Progress Made in Improving Security Conditions and Building Iraqi Security Forces, but Security Issues Still Need to be Addressed

Establishing a basic level of security is a key component of *The New Way Forward*. As we reported last month, overall violence fell from about 180 attacks per day in June 2007 to about 45 attacks per day in May 2008—primarily due to decreases in violence in Baghdad and Anbar provinces.[11] Since that report, the average number of enemy-initiated attacks decreased to 30 per day in June 2008, representing the lowest level of violence since March 2004. (See fig. 1.) DOD, State, and UN reports attribute the reduction in violence to (1) the increase in U.S. combat forces that allowed a change in tactics; (2) the creation of nongovernmental security forces, such as Sons of Iraq; and (3) the Mahdi Army's declaration of a cease-fire. DOD had planned to withdraw U.S. surge forces and draw down U.S. forces to 140,000 by the end of July 2008. DOD reported that the number of U.S. forces in Iraq was about 153,300 as of June 1, 2008.

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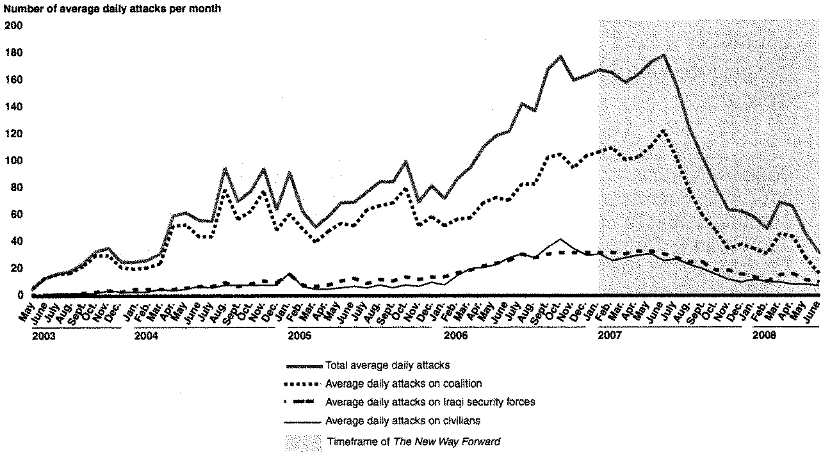
[11] According to DIA, the incidents captured in military reporting do not account for all violence throughout Iraq. For example, they may underreport incidents of Shi'a militias fighting each other and attacks against Iraqi security forces in southern Iraq and other areas with few or no coalition forces. DIA officials stated, however, that they represent a reliable and consistent source of information that can be used to identify trends in enemy activity and the overall security situation.

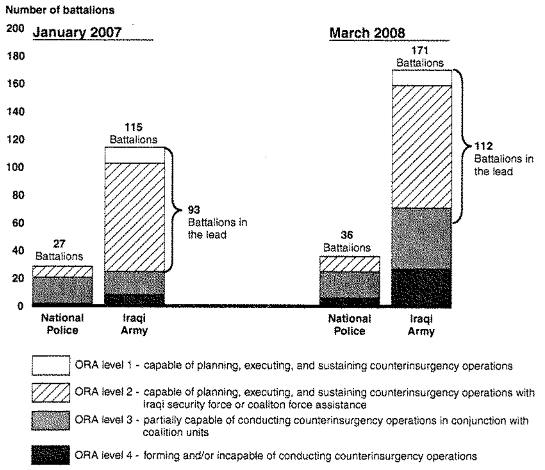
Figure 1: Average Daily Attacks, May 2003 to June 2008



Source: GAO analysis of DIA-reported Multi-National Force-Iraq data, June 2008.

The New Way Forward also set the goal of developing capable Iraqi security forces and transferring security responsibilities to the Iraqi government. Since 2003, the United States has provided more than $20 billion to develop Iraqi security forces. The number of trained Iraqi forces increased from about 323,000 in January 2007 to about 478,500 as of April 30, 2008. DOD reports that about 65 percent of Iraqi army battalions are leading counterinsurgency operations. However, the number of units at the highest readiness level, as assessed by DOD, accounts for less than 10 percent of total units (see fig. 2). The development of independent Iraqi security forces was a benchmark established by Congress and derived from commitments made by the Iraqi government. The number of independent Iraqi security forces as measured by Operational Readiness Assessments (ORA) level 1 continues to be an important measure of the capabilities of Iraqi security forces. In late June 2008, DOD reported that 12 Iraqi army battalions were capable of planning, executing, and sustaining counterinsurgency operations (ORA level 1) in January 2007 and April 2008.

Figure 2: Iraqi Security Force Operational Readiness, January 2007 and March 2008



Source: GAO analysis of data presented in testimony by the Commanding General of MNF-I and MNC-I documents.

Several factors have complicated the development of capable Iraqi security forces, including the lack of a single unified force, sectarian and militia influences, continued dependence on U.S. and coalition forces for logistics and combat support, and training and leadership shortages.

The New Way Forward also stated that the Iraqi government would take responsibility for security in all 18 provinces by November 2007. However, as of mid-July 2008, 8 provincial governments do not yet have lead responsibility for security in their provinces. According to the MNF-I Commanding General, the coalition continues to provide planning, logistics, and other assistance even after security responsibilities have transferred to provincial Iraqi control.

Security conditions remain volatile and dangerous. In June 2008, DOD reported that the influence and areas of operation of al Qaeda in Iraq have been degraded, but the terrorist group remains a dangerous and adaptable enemy capable of carrying out high-profile attacks. Thus, the United States has not achieved its goal of defeating al Qaeda in Iraq and ensuring that no terrorist safe haven exists in Iraq. In addition, Sons of Iraq have not reconciled with the Iraqi government and the cease-fire agreement with the Mahdi Army is tenuous.[12] According to MNF-I, various Sons of Iraq groups total at least 105,000 members while the Mahdi Army has 25,000 to 40,000 active members. Violence also has displaced many Iraqis from their homes. The UN estimates that 2.7 million people have been displaced in Iraq and 2 million additional Iraqis have fled the country, primarily to Jordan and Syria.

Iraq Has Enacted Legislation to Promote Reconciliation, but Critical Laws Are Still Being Debated

To facilitate national reconciliation, *The New Way Forward* identified legislation that the Iraqi government committed to enact with U.S. support and set a goal for enacting all key legislation by December 2007. In early 2008, the Iraqi government enacted laws to return some Ba'athists to government service, give amnesty to certain detainees in Iraq's justice system, and define provincial powers. However, questions remain about how these laws will be implemented and whether the intended outcomes can be achieved. For example, the government has not established the commission needed to reinstate former Ba'athists in the government or released most of the 20,000 prisoners and detainees approved for release.

Three additional laws considered critical for national reconciliation have not been enacted. These include laws that set the rules for Iraq's provincial elections, define the control and management of Iraq's oil and gas resources, and provide for disarmament and demobilization of Iraq's armed groups. The Iraqi government also faces logistical and security challenges in holding the scheduled 2008 provincial elections—a key element of reconciliation for Sunnis. UN and IFES reports estimate that it would take about 8 months to prepare for the elections, while State estimates that elections could be held 4 to 5 months after an elections law is passed.[13] Finally, the government has not completed its constitutional review to resolve issues such as the status of disputed territories and the balance of power between federal and regional governments.

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[12] DOD, *Measuring Stability and Security in Iraq: Report to Congress in Accordance with the Department of Defense Appropriations Act 2008, Section 9010, P.L.109-289* (Washington, D.C.: March and June 2008).

Iraq Has Made Limited Progress in Spending Its Capital Investment Budgets and Has Not Met Oil Production Goals or Demand for Electricity

The New Way Forward emphasized the need to build capacity in Iraq's ministries and help the government execute its capital investment budget; this is particularly important as the $48 billion in U.S. funding for Iraq reconstruction and stabilization efforts is almost 90 percent obligated. However, expenditure data from Iraq's Ministry of Finance show that, between 2005 and 2007, Iraq spent only 24 percent of the $27 billion it budgeted for its own reconstruction efforts.

As displayed in figure 3, total government spending for capital investments increased from 23 percent in 2005 to 28 percent in 2007.[14] However, Iraq's central ministries, responsible for security and essential services, spent only 11 percent of their capital investment budgets in 2007[15]—a decline from similarly low spending rates of 14 and 13 percent in 2005 and 2006, respectively. Spending rates for central ministries critical to the delivery of essential services varied from the 41 percent spent by the Water Resources Ministry to the less than 1 percent spent by the Ministries of Oil and Electricity in 2007. Iraq is expected to have additional resources to spend on reconstruction projects in 2008. As of May 2008, Iraqi crude oil was selling at about $104 per barrel, higher than the $57 per barrel used to develop Iraq's 2008 budget.[16]

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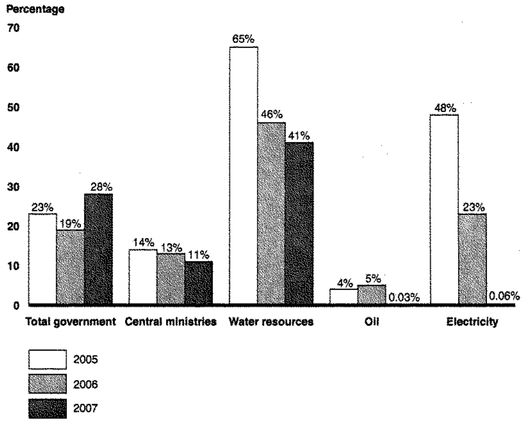
[13] IFES, formally known as the International Foundation for Electoral Systems, is an international election assistance organization. In Iraq's 2005 elections, IFES provided election assistance to the Iraqi government. IFES is also providing support for Iraq's upcoming provincial elections.

[14] The total government budget includes the central government ministries, provinces, and Kurdistan region. The central government ministries include the ministries of oil, water, electricity, public works, health, housing and construction, defense, interior, and other spending units.

[15] The central government ministries include the ministries of oil, water, electricity, public works, health, housing and construction, defense, interior, and other spending units. We use the term "investment budgets" to refer to capital goods and capital projects.

[16] GAO will issue a separate report on Iraq's estimated unspent and projected oil revenues from 2003 through 2008.

Figure 3: Iraqi Budget Execution Ratios for Total Government and Selected Ministries, 2005 to 2007



Source: GAO analysis of official Ministry of Finance budget and expenditure data.

U.S. government, coalition, and international agencies have identified a number of factors that challenge the Iraqi government's efforts to fully spend its budget for capital projects. These challenges include violence and sectarian strife, a shortage of trained staff, and weak procurement and budgeting systems.

Developing competent and loyal Iraqi ministries is critical to stabilizing and rebuilding Iraq. In 2005 and 2006, the United States provided about $169 million for programs to help build the capacity of key civilian ministries and the Ministries of Defense and Interior. As part of *The New Way Forward*, the Administration sought an additional $395 million for these efforts in fiscal years 2007 and 2008. We found that multiple U.S. agencies were leading individual efforts and recommended that Congress consider conditioning future appropriations on the completion of an integrated strategy for U.S. capacity development efforts.[17] In June 2008, State noted that the embassy was in the process of implementing GAO's recommendation.

Providing essential services to all Iraqi areas and communities and helping Iraq maintain and expand its oil exports are key goals of *The New Way Forward*. Overall crude oil production has increased or improved for short periods; however, the early July 2008 average crude oil production capacity of about 2.5 million barrels per day has not reached the U.S. goal of 3 million barrels per day.[18] Meanwhile, the daily supply of electricity met only 54 percent of demand in early July 2008.[19]

The State Department reports that U.S. goals for Iraq's water sector are close to being reached. Since April 2006, U.S. efforts have focused on producing enough clean water to reach up to an additional 8.5 million Iraqis. As of March 2008, State reported that U.S.-funded projects had provided an additional 8 million Iraqis with access to potable water. Several factors present challenges in delivering essential services, including an unstable security environment, corruption, a lack of technical capacity, and inadequate strategic planning. Our May 2007 report recommended that U.S. agencies work with the Iraqi government to develop an integrated energy strategy for the oil and electricity sectors.[20] In June 2008, State indicated that it was encouraging the Iraqi government to develop an integrated energy strategy.

Need for Updated U.S. Strategy in Iraq

Since late 2003, the United States has employed numerous strategies and plans to address the security and reconstruction needs of Iraq. For example, the multinational force's security transition plan called for Iraqi security forces to assume security responsibilities on an accelerated basis during spring 2004. This attempt failed when Iraqi security forces performed poorly during an insurgent uprising. Further, a series of campaign plans and a strategy document attempted to integrate U.S. military and civilian efforts in Iraq but did not anticipate the escalation in violence during 2006. To address the high levels of violence, the administration announced *The New Way Forward* strategy in January 2007. While the documents that comprise *The New Way Forward* and the phase that follows clearly state the importance the Administration places on continued U.S. support for Iraq, they represent an incomplete strategic plan because they only articulate goals and objectives for the near-term phase that ends in July 2008.

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[17] GAO, *Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk*, GAO-08-117 (Washington, D.C.: Oct.1, 2007).

[18] This is the U.S. goal as stated in *Secretary of the Army Update, Gulf Regional Division, Iraq*, April 3, 2008.

[19] *Iraq Weekly Status Report*, July 9, 2008.

[20] GAO, *Rebuilding Iraq: Integrated Strategic Plan Needed to Help Restore Iraq's Oil and Electricity Sectors*,GAO-07-677 (Washington, D.C.: May 15, 2007).

The United States Has Used Several Strategies to Address Security and Reconstruction Challenges in Iraq

In October 2003, the multinational force outlined a four-phased plan for transferring security missions to Iraqi security forces.[21] The plan's objective was to allow a gradual drawdown of coalition forces first in conjunction with the neutralization of Iraq's insurgency and second with the development of Iraqi forces capable of securing their country.[22] Citing the growing capability of Iraqi security forces, MNF-I attempted to shift responsibilities to them in February 2004 but did not succeed in this effort. Iraqi police and military units performed poorly during an escalation of insurgent attacks against the coalition in April 2004.

After the collapse of the Iraqi security forces in early 2004, the Administration completed three key documents that outlined the evolving U.S. strategy for Iraq. First, during the summer of 2004, MNF-I completed a campaign plan that elaborated on and refined the original strategy for transferring security responsibilities to Iraqi forces at the local, regional, and national levels. Further details on this campaign plan are classified.[23] Second, in November 2005, the National Security Council (NSC) issued the National Strategy for Victory in Iraq (NSVI) to clarify the President's existing strategy for achieving U.S. political, security, and economic goals in Iraq. The administration prepared this strategy document in response to a study of the U.S. mission that found, among other things, that no unified strategic plan existed to effectively integrate U.S. government political, military, and economic efforts.[24] Third, in April 2006, MNF-I and the U.S. embassy in Baghdad issued the first joint campaign plan, which attempted to integrate U.S. political, military, and economic efforts in Iraq. Further details of this campaign plan are classified.[25]

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[21] See GAO, *Rebuilding Iraq: Preliminary Observations on Challenges in Transferring Security Responsibilities to Iraqi Military and Police,* GAO-05-431T (Washington, D.C.: Mar. 15, 2005).

[22] For more information on this security transition plan, see GAO, *Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues,* GAO-04-902R (Washington, D.C: June 28, 2004).

[23] See GAO's classified report, *Rebuilding Iraq: DOD Reports Should Link Economic, Governance, and Security Indicators to Conditions for Stabilizing Iraq,* GAO-05-868C (Washington, D.C.: Sept. 29, 2005).

In July 2006, we reported that the NSVI represented an incomplete strategy.[26] The NSVI's purpose and scope were clear because the strategy identified U.S. involvement in Iraq as a vital national interest and Iraq as a central front in the war on terror. The strategy also discussed the threats and risks facing the coalition forces and provided a comprehensive description of U.S. political, security, and economic goals and objectives in Iraq over the short, medium, and long term. However, the NSVI only partially identified the agencies responsible for implementing it, the current and future costs of U.S. involvement in Iraq, and Iraq's contribution to its future needs.

The NSVI did not anticipate that security conditions in Iraq would deteriorate as evidenced by the increased numbers of attacks that followed the February 2006 bombing of the Golden Mosque in Samarra. Enemy-initiated attacks against the coalition and its Iraqi partners increased through October 2006 and remained at high levels through the end of the year. During 2006, according to State and UN reports, insurgents, death squads, militias, and terrorists increased their attacks against civilians, largely on a sectarian basis.

Current Strategic and Operational Plans for Iraq

In response to the escalating violence, the President in January 2007 announced *The New Way Forward*, which established a new phase in U.S. operations in Iraq. The strategy altered the administration's assumptions regarding the security and political conditions in Iraq and their effect on the achievement of U.S. goals. The administration, however, has not revised its strategic plan for Iraq to include U.S. goals and objectives for *The New Way Forward*, which ends this month, or for the phase that follows. Instead, according to State and DOD officials, the administration is relying on a set of 8 documents to explain U.S. strategic goals and objectives for Iraq (see table 1).[27] Four documents defined the original strategic goals and objectives of *The New Way Forward* phase. The administration believed the strategy's goals and objectives were achievable by the end of a 12 month- to 18 month-long phase, which ends in July 2008. Four different documents describe the phase that follows *The New Way Forward*.

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[24] GAO, *Rebuilding Iraq: More Comprehensive National Strategy Needed to Help Achieve U.S. Goals*, GAO-06-788 (Washington, D.C.: July 11, 2006).

[25] See GAO's classified report, *Plans for Stabilizing Iraq*, GAO-06-152C (Washington, D.C.: Oct. 18, 2006).

[26] See GAO-06-788. The desirable characteristics of an effective national strategy are purpose, scope, and methodology; detailed discussion of problems, risks, and threats; the desired goal, objectives, activities, and outcome-related performance measures; description of future costs and resources needed; delineation of U.S. government roles, responsibilities, and coordination mechanisms; and a description of the strategy's integration among and with other entities.

Table 1: Documents That Explain the Current U.S. Strategy for Iraq

***New Way Forward* phase (January 2007 through July 2008)**	**"Way Forward" Phase (begins July 2008)**
• Highlights of the Iraq Strategy Review, NSC, January 2007	• The President's address on Iraq, September 13, 2007
• The President's address to the nation, January 10, 2007	• The President's address on Iraq, April 10, 2008
• Fact Sheet: *The New Way Forward* in Iraq, January 10, 2007	• Fact Sheet: "The Way Forward in Iraq," April 10, 2008
• Background Briefing by Senior Administration Officials, Office of the Press Secretary, White House, January 10, 2007.	• The testimony of the Secretary of Defense, April 10, 2008.

Source: Information from State and DOD officials.

We found that the documents for the phase that follows *The New Way Forward* do not specify the administration's strategic goals and objectives in Iraq or how it intends to achieve them, although they clearly state the importance the administration places on continued U.S. involvement in and support for Iraq. Further, while they predict continued progress in the security, political, and economic areas, they do not address the remaining challenges to achieving either unmet U.S. goals and objectives or the desired U.S. end state for Iraq.[28]

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[27] DOD also identified the testimonies of the current and prospective Commanding Generals of MNF-I, May 22, 2008, as articulating future U.S. goals and objectives. However, DOD did not provide written statements for either officer's testimony.

Moreover, the current UN mandate for the multinational force in Iraq, under Security Resolution 1790, will expire December 31, 2008, without further UN action. This resolution reaffirmed MNF-I's authority to take all necessary measures to maintain security and stability in Iraq, in accordance with the Iraqi government's request for the continued presence of MNF-I. The United States and Iraq are negotiating an agreement to provide the United States and its coalition partners with the legal basis necessary to conduct operations to support the Iraqi government after the UN mandate ends.

State and DOD cite the classified MNF-I/U.S. Embassy Joint Campaign Plan as providing a roadmap for future U.S. operations in Iraq.[29] According to a May 2008 State Department report, the Joint Campaign Plan supports the implementation of U.S. efforts in Iraq along four lines of operation: political, security, economic, and diplomatic. The plan recognizes the importance of enhancing security and protecting the Iraqi population and of advancing the political line of operation to help Iraqis establish legitimate, representative governance in their country at both the national and provincial levels.

A campaign plan, however, is an operational, not a strategic plan, according DOD's doctrine for joint operation planning.[30] A campaign plan must rely on strategic guidance from national authorities for its development. For example, the April 2006 MNF-I/U.S. embassy Baghdad Joint Campaign Plan relied on the NSC's prior strategic plan, the NSVI, as a basis for the plan's development.[31] Activities at the strategic level include establishing national and multinational military objectives, as well as defining limits and assessing risks for the use of military and other instruments of national power. In contrast, activities at the operational level establish objectives that link tactics on the ground to high-level strategic objectives. The development of a campaign plan, according to doctrine, should be based on suitable and feasible national strategic objectives formulated by the President, the Secretary of Defense, and the Chairman of the Joint Chiefs of Staff—with appropriate consultation with additional NSC members, other U.S. government agencies, and multinational partners.

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[28] These documents also discuss the ongoing drawdown of U.S. troops in Iraq that will end in July 2008 and generally describe the U.S. military transition that would occur in Iraq over an unspecified period of time in the future. The U.S. military would continue to (1) conduct combat operations; (2) train, equip, and support Iraqi security forces; (3) transfer security responsibilities to them as provinces become ready; and (4) over time move into an overwatch role. In this role, U.S. forces would increasingly focus on targeted raids against the terrorists and extremists, continue to train Iraqi forces, and be available to help Iraq's security forces if required.

[29] State Department, *Report to Congress: Submitted Pursuant to U.S. Policy in Iraq Act, Section 1227(c) of the National Defense Authorization Act for Fiscal Year 2006 (P.L. 109-163), as amended by Section 1223 of the National Defense Authorization Act for Fiscal Year 2008 (P.L. 110-181);* May 2008.

[30] DOD, *Joint Publication 5-0: Joint Operation Planning,* Dec. 26, 2006.

Joint doctrine also states that effective planning cannot occur without a clear understanding of the end state and the conditions that must exist to end military operations and draw down forces. According to doctrine, a campaign plan should provide an estimate of the time and forces required to reach the conditions for mission success or termination. Our review of the classified Joint Campaign Plan, however, identified limitations in these areas, which are discussed in a classified GAO report.[32] We will provide more information on the Joint Campaign Plan in the closed portion of this hearing.

Recommendation

The New Way Forward and the military surge that was central to it end in July 2008. Moreover, the UN mandate authorizing MNF-I to maintain security and stability in Iraq expires December 31, 2008; the United States and Iraq are negotiating the legal framework to allow the United States and its coalition partners to conduct operations to support the Iraqi government after the UN mandate ends. Given these uncertainties, the decreasing levels of enemy-initiated attacks, and weaknesses in current DOD and State plans, an updated strategy is needed for how the United States will help Iraq achieve key security, legislative, and economic goals. Accordingly, we recommend that DOD and State, in conjunction with relevant U.S. agencies, develop an updated strategy for Iraq that defines U.S. goals and objectives after July 2008 and addresses the long-term goal of achieving an Iraq that can govern, defend, and sustain itself. This strategy should build on recent security and legislative gains, address the remaining unmet goals and challenges for the near and long term, clearly articulate goals, objectives, roles and responsibilities, and the resources needed, as well as address prior GAO recommendations.

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[31] GAO-06-788.

[32] GAO-08-700C.

Mr. Chairman, this concludes my statement. I would be pleased to answer questions that you or other Members have at this time.

GAO Contact and Staff Acknowledgments

For questions regarding this testimony, please call Joseph A. Christoff, Director, International Affairs and Trade, on (202) 512-8979. Other key contributors to this statement include Audrey Solis, Assistant Director; Judith McCloskey, Assistant Director; Ashley Alley; Monica Brym; Daniel Chen; Lynn Cothern; Leah DeWolf; Walker Fullerton; Tetsuo Miyabara; and Kathleen Monahan. Edward George, Jr.; Andrea Miller; Jena Sinkfield; and Cynthia Taylor provided technical assistance.

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JULY 23, 2008

United States Government Accountability Office

GAO

Report to Congressional Committees

June 2008

SECURING, STABILIZING, AND REBUILDING IRAQ

Progress Report: Some Gains Made, Updated Strategy Needed

GAO

Accountability * Integrity * Reliability

GAO-08-837

GAO

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Highlights

Highlights of GAO-08-837, a report to congressional committees

Why GAO Did This Study

Since 2001, Congress has appropriated about $640 billion for the global war on terrorism, the majority of this for operations in Iraq. In January 2007, the President announced *The New Way Forward* to stem violence in Iraq and enable the Iraqi government to foster national reconciliation. This new strategy established goals and objectives to achieve over 12 to 18 months, or by July 2008.

GAO discusses progress in meeting key goals in *The New Way Forward*: (1) improve security conditions; (2) develop capable Iraqi security forces; and help the Iraqi government (3) enact key legislation, (4) spend capital budgets, and (5) provide essential services. GAO also discusses U.S. strategies for Iraq.

GAO reviewed documents and interviewed officials from U.S. agencies, the United Nations, and the Iraqi government. GAO also had staff stationed in Baghdad. Since May 2003, GAO has issued over 130 Iraq-related audits, which provided baseline information for this assessment. GAO prepared this report under the Comptroller General's authority.

What GAO Recommends

GAO recommends that the Departments of Defense and State, in conjunction with relevant U.S. agencies, develop an updated strategy for Iraq that defines U.S. goals and objectives after July 2008 and addresses the long-term goal of achieving an Iraq that can govern, defend, and sustain itself.

To view the full product, including the scope and methodology, click on GAO-08-837. For more information, contact Joseph A. Christoff at (202) 512-8979 or christoffj@gao.gov.

June 2008

SECURING, STABILIZING AND REBUILDING IRAQ

Progress Report: Some Gains Made, Updated Strategy Needed

What GAO Found

The New Way Forward responded to failures in prior strategies that prematurely transferred security responsibilities to Iraqi forces or belatedly responded to growing sectarian violence. Overall violence, as measured by enemy-initiated attacks, fell about 70 percent in Iraq, from about 180 attacks per day in June 2007 to about 50 attacks per day in February 2008. Security gains have largely resulted from (1) the increase in U.S. combat forces, (2) the creation of nongovernmental security forces such as Sons of Iraq, and (3) the Mahdi Army's declaration of a cease fire. Average daily attacks were at higher levels in March and April before declining in May 2008. The security environment remains volatile and dangerous. The number of trained Iraqi forces has increased from 323,000 in January 2007 to 478,000 in May 2008; many units are leading counterinsurgency operations. However, the Department of Defense reported in March 2008 that the number of Iraqi units capable of performing operations without U.S. assistance has remained at about 10 percent. Several factors have complicated the development of capable security forces, including the lack of a single unified force, sectarian and militia influences, and continued dependence on U.S. and coalition forces.

The Iraqi government has enacted key legislation to return some Ba'athists to government, give amnesty to detained Iraqis, and define provincial powers. However, it has not yet enacted other important legislation for sharing oil resources or holding provincial elections. Efforts to complete the constitutional review have also stalled. A goal of *The New Way Forward* was to facilitate the Iraqis' efforts to enact all key legislation by the end of 2007.

Between 2005 and 2007, Iraq spent only 24 percent of the $27 billion it budgeted for its own reconstruction efforts. More specifically, Iraq's central ministries, responsible for security and essential services, spent only 11 percent of their capital investment budgets in 2007—down from similarly low rates of 14 and 13 percent in the 2 prior years. Violence and sectarian strife, shortage of skilled labor, and weak procurement and budgeting systems have hampered Iraq's efforts to spend its capital budgets.

Although oil production has improved for short periods, the May 2008 production level of about 2.5 million barrels per day (mbpd) was below the U.S. goal of 3 mbpd. The daily supply of electricity met only about half of demand in early May 2008. Conversely, State reports that U.S. goals for Iraq's water sector are close to being reached. The unstable security environment, corruption, and lack of technical capacity have contributed to the shortfalls.

The Departments disagreed with our recommendation, stating that *The New Way Forward* strategy remains valid but the strategy shall be reviewed and refined as necessary. We reaffirm the need for an updated strategy given the important changes that have occurred in Iraq since January 2007. An updated strategy should build on recent gains, address unmet goals and objectives and articulate the U.S. strategy beyond July 2008.

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Abbreviations

AQI	al Qaeda in Iraq
CPA	Coalition Provisional Authority
CRC	Constitutional Review Committee
DIA	Defense Intelligence Agency
DOD	Department of Defense
IDP	internally displaced person
KRG	Kurdistan Regional Government
MANPADS	man-portable air defense system
mbpd	million barrels per day
MNF-I	Multinational Force-Iraq
MWH	megawatt hour
NSC	National Security Council
NSVI	National Strategy for Victory in Iraq
ORA	Operational Readiness Assessment
SIGIR	Special Inspector General for Iraq Reconstruction
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development

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June 23, 2008

Congressional Committees:

In January 2007, the President announced a new U.S. strategy to stem the high levels of violence in Iraq and help the Iraqi government foster conditions for national reconciliation. The Administration stated that the security and political conditions in Iraq were more difficult than it had anticipated earlier in the war. To improve these conditions, *The New Way Forward* established near-term (12 to 18 months) goals that the Administration stated were achievable in this time period. In addition, the strategy reasserted the Administration's long-term goal or end state for Iraq: a unified, democratic, federal Iraq that can govern, defend, and sustain itself, and is an ally in the war on terror. In support of this new strategy, the United States increased its military presence and financial commitments for operations in Iraq. U.S. troops and civilian personnel have performed courageously under dangerous and difficult circumstances. In April 2008, the U.S. Ambassador to Iraq and the Commanding General of the Multinational Force-Iraq (MNF-I) testified before congressional committees on conditions in Iraq. They stated that significant progress had been made toward achieving U.S. goals but that progress was fragile and reversible.

From fiscal year 2001 through December 2007, Congress has provided about $635.9 billion to the Department of Defense (DOD) for the Global War on Terrorism.[1] The majority of this amount has been for military operations in support of Operation Iraqi Freedom, including the cost of equipping, maintaining, and supporting our deployed forces. Moreover, since fiscal year 2003, about $45 billion[2] was provided to DOD and several other U.S. agencies for stabilization and reconstruction efforts in Iraq, including developing Iraq's security forces, enhancing Iraq's capacity to govern, and rebuilding Iraq's oil, electricity, and water sectors, among others.

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[1] This figure includes appropriations for domestic and overseas military operations in support of the Global War on Terrorism, such as Operation Noble Eagle, Operation Enduring Freedom, and Operation Iraqi Freedom, as well as stabilization and reconstruction appropriations for Iraq and Afghanistan.

[2] About $17.5 billion for improving Iraqi security forces included in this amount is also included in DOD's reporting of Global War on Terrorism appropriations.

This report discusses progress in meeting key U.S. goals outlined in *The New Way Forward*, specifically, (1) improving security conditions; (2) developing Iraqi security forces' capabilities and transferring security responsibilities to the Iraqi government; (3) facilitating Iraqi government efforts to draft, enact, and implement key legislative initiatives; (4) assisting Iraqi government efforts to spend budgets; and (5) helping the Iraqi government provide key essential services to its people. In addition, we discuss U.S. strategies for stabilizing and rebuilding Iraq. We are concurrently issuing a classified report on the Joint Campaign Plan—the U.S. operational plan for Iraq.[3]

The Chairmen of the Senate's Armed Services Committee, Appropriations Committee, and Foreign Relations Committee, as well as the Chairman and Ranking Member of the House Armed Services Committee, requested that GAO complete this work. Due to broad congressional interest in Iraq issues, we prepared this report under the Comptroller General's authority to conduct evaluations on his own initiative.

This report updates and builds upon an extensive body of GAO work, including our September 2007 report assessing Iraq's progress toward meeting 18 legislatively mandated benchmarks.[4] To complete this work, we reviewed documents and interviewed officials from the Departments of Defense, State, and the Treasury; MNF-I and its subordinate commands; the Defense Intelligence Agency; the National Intelligence Council; and the United Nations. We also reviewed translated copies of Iraqi documents. In support of this work, we extensively utilized staff stationed in Baghdad from January through March 2008. See appendix I for a more complete description of our scope and methodology. Appendix II contains a crosswalk between the 18 benchmarks and the five objectives we address in this report. We provided drafts of this report to the Departments of State, the Treasury, and Defense for review and comment. We received written comments from all three agencies, which are included in appendixes III, IV, and V.

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[3] GAO, *Stabilizing Iraq: DOD Should Identify and Prioritize the Conditions Necessary for the Continued Drawdown of US. Forces in Iraq*, GAO-08-700C, (Washington, D.C.: June 2008).

[4] GAO, *Securing, Stabilizing, and Rebuilding Iraq: Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks*, GAO-07-1195 (Washington, D.C.: Sept. 4, 2007).

We conducted this performance audit from March to June 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

The New Way Forward responded to failures in prior strategies that prematurely transferred security responsibilities to Iraqi forces or belatedly responded to growing sectarian violence. The United States has made some progress in achieving key goals stated in *The New Way Forward.* For example, overall violence in Iraq has declined and Iraq has enacted key legislation to return some Ba'athists to government and give amnesty to detained Iraqis. However, we agree with assessments that progress made in Iraq is fragile and many unmet goals and challenges remain. For example, although *The New Way Forward* stated that the Iraqi government would take responsibility for security in all 18 provinces by November 2007, only 9 of 18 provinces had transitioned to Iraqi control as of May 2008. In addition, Iraq has spent only 24 percent of the funds it budgeted for reconstruction. Future U.S. strategies should build on recent security and legislative gains and address the remaining challenges for the near and long term.

Improving Security Conditions

Establishing a basic level of security is a key component of *The New Way Forward.* Overall violence, as measured by enemy-initiated attacks, fell about 70 percent from about 180 attacks per day in June 2007 to about 50 attacks per day in February 2008—primarily due to decreases in violence in Baghdad and Anbar provinces. Fighting continues throughout Iraq. Average daily attack levels were higher during March and April before declining in May 2008. Further, the influence and areas of operation of al Qaeda in Iraq have been degraded, although the United States has not achieved its goal of defeating al Qaeda in Iraq and ensuring that no terrorist safe haven exists in Iraq. Security gains have largely resulted from (1) the increase in U.S. combat forces, (2) the creation of nongovernmental security forces such as Sons of Iraq, and (3) the Mahdi Army's declaration of a cease fire. However, the security environment remains volatile and dangerous.

Developing Iraqi Security Forces

The New Way Forward set the goal of transferring security responsibilities to all 18 Iraqi provinces by the end of 2007. Since 2003, the United States has provided more than $20 billion to develop Iraqi security forces. The number of trained Iraqi forces has increased from about 323,000 in January 2007 to about 478,000 in May 2008; many units are leading counterinsurgency operations. However, DOD reports that the number of Iraqi security force units deemed capable of performing operations without coalition assistance has remained at about 10 percent. Several factors have complicated the development of capable Iraqi security forces, including the lack of a single unified force, sectarian and militia influences, continued dependence on U.S. and coalition forces for logistics and combat support, and training and leadership shortages. In addition, the time frame for transferring security responsibilities to Iraqi provincial governments now extends into 2009. As of May 2008, 9 of 18 provincial governments had lead responsibility for security in their provinces.

Enacting Legislation

To facilitate national reconciliation, *The New Way Forward* identified legislation that the Iraqi government committed to enact with U.S. support. The Iraqi government has enacted de-Ba'athification reform, amnesty, and provincial powers legislation after considerable debate and compromise among Iraq's political blocs. However, questions remain about how the laws will be implemented and whether the intended outcomes can be achieved. For example, the government has not yet established the commission needed to reinstate former Ba'athists in the government. In addition, the government has not enacted legislation that will provide a legal framework for managing its oil resources, distributing oil revenues, or disarming militias. The Iraqi government also faces logistical and security challenges in holding the scheduled 2008 provincial elections—a key element of reconciliation for Sunnis. Finally, the government has not completed its constitutional review to resolve issues such as the status of disputed territories and the balance of power between federal and regional governments. A goal of *The New Way Forward* was to facilitate the Iraqis' efforts to enact all key legislation by the end of 2007.

Spending Capital Budgets

The New Way Forward emphasizes the need to build capacity in Iraq's ministries and help the government execute its capital investment budgets; this need is particularly important, as the $45 billion in U.S. funding for Iraq reconstruction projects is nearing completion. However, Ministry of Finance expenditure data show that between 2005 and 2007, Iraq spent only 24 percent of the $27 billion it budgeted for its own reconstruction efforts. Specifically, Iraq's central ministries spent only 11 percent of their capital investment budgets in 2007, a decline from similarly low spending rates of 14 and 13 percent in 2005 and 2006, respectively. Spending rates for critical ministries varied from the 41 percent spent by the Water Resources Ministry in 2007 to the less than 1 percent spent by the Ministries of Oil and Electricity. Violence and sectarian strife, shortage of skilled labor, and weak procurement and budgeting systems have hampered Iraq's efforts to spend capital budgets and thereby contribute to its own rebuilding. GAO recommended that U.S. agencies develop an integrated plan for developing competent Iraqi ministries that can execute their budgets and effectively deliver government services.[5] As of June 2008, an integrated strategy had not been developed.

Providing Essential Services

Providing essential services to all Iraqi areas and communities and helping Iraq maintain and expand its oil exports are key goals of *The New Way Forward*. Overall crude oil production has increased or improved for short periods; however, production has not reached the U.S. goal of an average crude oil production capacity of 3 million barrels per day (mbpd) and export levels of 2.2 mbpd. In May 2008, oil production was about 2.5 mbpd and exports were 1.96 mbpd. Meanwhile, the daily supply of electricity met only 52 percent of demand in June 2008. The State Department (State) reports that U.S. goals for Iraq's water sector are close to being reached. Since April 2006, U.S. efforts have focused on producing enough clean water to reach up to an additional 8.5 million Iraqis. As of March 2008, State reported that U.S.-funded projects had provided an additional 8 million Iraqis with access to potable water. Several factors present challenges in delivering essential services, including an unstable security environment, corruption, a lack of technical capacity, and inadequate strategic planning. GAO will issue a separate report on Iraq's estimated unspent and projected oil revenues from 2003 through 2008. As of the end of May 2008, Iraqi crude oil was selling at about $104 per barrel, higher than the $57 per barrel used to develop Iraq's 2008 budget. Oil exports generate over 90 percent of government revenues.

As *The New Way Forward* and the military surge end in July 2008, an updated strategy is needed for how the United States will help Iraq achieve key security, legislative, and economic goals. This strategy should build on recent security and legislative gains, address the remaining unmet goals and challenges for the near and long term, and clearly articulate goals, objectives, roles and responsibilities, and the resources needed. In this report, GAO is recommending that DOD and State, in conjunction with relevant U.S. agencies, develop an updated strategy for Iraq that defines U.S. goals and objectives after July 2008 and addresses the long-term goal of achieving an Iraq that can govern, defend, and sustain itself.

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[5] GAO, *Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk*, GAO-08-117 (Washington, D.C.: Oct.1, 2007).

The departments of State and Defense disagreed with our recommendation to develop an updated strategic plan for Iraq, stating that *The New Way Forward* strategy remains valid. They did, however, state that they will review and refine the strategy as necessary. DOD also stated that the classified MNFI-U.S. Embassy Joint Campaign Plan is a comprehensive, government wide plan that guides the effort to achieve an Iraq that can govern, defend and sustain itself. An updated strategy is needed for several reasons. First, much has changed in Iraq since January 2007, when the President announced *The New Way Forward*. Violence is down but U.S. surge forces are leaving. In addition, the United States is negotiating a status of forces agreement with Iraq. Second, *The New Way Forward* only articulates U.S. goals and objectives for the phase that ends in July 2008. Third, the goals and objectives of *The New Way Forward* are contained in disparate documents rather than a single strategic plan. Furthermore, the classified Joint Campaign Plan is not a strategic plan; it is an operational plan with limitations that we discuss in the classified report we are issuing concurrently with this report.

We affirm our recommendation that DOD and State should update the U.S. strategy for Iraq, given the importance of the war effort to U.S. national security interests, the expenditure of billions of dollars for U.S. military and civilian efforts in Iraq, and the continued deployment of at least 140,000 troops in Iraq.

Background: Evolution of U.S. Strategies for Iraq

Since late 2003, the United States has employed numerous strategies to address the security and reconstruction needs of Iraq. First, the multinational force's security transition strategy called for Iraqi security forces to assume security responsibilities on an accelerated basis during spring 2004. This strategy failed when Iraqi security forces performed poorly during an insurgent uprising. Second, a series of campaign plans and a strategy document attempted to integrate U.S. military and civilian efforts in Iraq but did not anticipate the escalation in violence during 2006. Third, to address the high levels of violence, the administration announced a new strategy, *The New Way Forward*.

Multinational Force's Strategy Assumed Capable Iraqi Forces Could Begin to Take Over Security Responsibilities in Spring 2004

In October 2003, the multinational force outlined a four-phased plan for transferring security missions to Iraqi security forces.[6] The four phases were (1) mutual support, where the multinational force established conditions for transferring security responsibilities to Iraqi forces; (2) transition to local control, where Iraqi forces in a local area assumed responsibility for security; (3) transition to regional control, where Iraqi forces were responsible for larger regions; and (4) transition to strategic overwatch, where Iraqi forces on a national level were capable of maintaining a secure environment against internal and external threats, with broad monitoring from the multinational force. The plan's objective was to allow a gradual drawdown of coalition forces first in conjunction with the neutralization of Iraq's insurgency and second with the development of Iraqi forces capable of securing their country.

Citing the growing capability of Iraqi security forces, MNF-I attempted to shift responsibilities to them in February 2004 but did not succeed in this effort. In March 2004, Iraqi security forces numbered about 203,000, including about 76,000 police, 78,000 facilities protection officers, and about 38,000 in the civilian defense corps.[7] Police and military units performed poorly during an escalation of insurgent attacks against the coalition in April 2004. According to a July 2004 executive branch report to Congress, many Iraqi security forces around the country collapsed during this uprising. Some Iraqi forces fought alongside coalition forces. Other units abandoned their posts and responsibilities and, in some cases, assisted the insurgency. A number of problems contributed to the collapse of Iraqi security forces, including problems in training, equipping, and vetting them.

U.S. Strategy Revisions Did Not Anticipate Escalation of Violence in 2006

After the collapse of the Iraqi security forces in the spring of 2004, the Administration completed three key documents that outlined the evolving U.S. strategy for Iraq, none of which anticipated the level of sectarian violence that occurred after the Samarra mosque bombing in February 2006. First, during the summer of 2004, MNF-I completed a campaign plan that elaborated on and refined the original strategy for transferring security responsibilities to Iraqi forces at the local, regional, and national levels. Further details on this campaign plan are classified.[8] Second, in November 2005, the National Security Council (NSC) issued the National Strategy for Victory in Iraq (NSVI) to clarify the President's existing strategy for achieving U.S. political, security, and economic goals in Iraq.[9] Third, in April 2006, MNF-I and the U.S. embassy in Baghdad issued the first joint campaign plan, which attempted to integrate U.S. political, military, and economic efforts in Iraq. Further details of this campaign plan are classified.[10]

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[6] The information in this section comes from GAO, *Rebuilding Iraq: Preliminary Observations on Challenges in Transferring Security Responsibilities to Iraqi Military and Police*, GAO-05-431T (Washington, D.C.: Mar. 15, 2005). For more information on this security transition plan, see GAO, *Rebuilding Iraq: Resource, Security, Governance, Essential Services, and Oversight Issues*, GAO-04-902R (Washington, D.C: June 28, 2004).

[7] The Departments of State and Defense stopped counting the Facilities Protection Service as part of the Iraqi security force structure in September 2004. The mission of the Facilities Protection Service is to guard and secure individual ministry and municipal buildings against vandalism and theft.

In July 2006, we reported that the NSVI represented an incomplete strategy. The desirable characteristics of an effective national strategy are purpose, scope, and methodology; detailed discussion of problems, risks, and threats; the desired goal, objectives, activities, and outcome-related performance measures; description of future costs and resources needed; delineation of U.S. government roles, responsibilities, and coordination mechanisms; and a description of the strategy's integration among and with other entities. On the one hand, the NSVI's purpose and scope were clear because the strategy identified U.S. involvement in Iraq as a vital national interest and Iraq as a central front in the war on terror. The strategy also discussed the threats and risks facing the coalition forces and provided a comprehensive description of U.S. political, security, and economic goals and objectives in Iraq over the short term, medium term, and long term. However, the NSVI only partially identified the agencies responsible for implementing it, the current and future costs of U.S. involvement in Iraq, and Iraq's contribution to its future needs.[11]

The strategy also did not anticipate that security conditions in Iraq would deteriorate as they did in 2006, as evidenced by the increased numbers of attacks and the Sunni-Shi'a sectarian strife that followed the February 2006 bombing of the Golden Mosque in Samarra. Enemy-initiated attacks against the coalition and its Iraqi partners increased through October 2006 and remained at high levels through the end of the year. During 2006, according to State and United Nations (UN) reports, insurgents, death squads, militias, and terrorists increased their attacks against civilians, largely on a sectarian basis. In addition, the number of internally displaced persons (IDP) in Iraq sharply increased, primarily as a result of sectarian intimidation and violence that forced many people from their homes. By the end of 2006, according to the UN, many Baghdad neighborhoods had become divided along Sunni and Shi'a lines and were increasingly controlled by armed groups claiming to act as protectors and defenders of these areas. According to the President, the violence in Iraq—particularly in Baghdad—overwhelmed the political gains the Iraqis had made.

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[8] For information on this campaign plan, see GAO's classified report, GAO, *Rebuilding Iraq: DOD Reports Should Link Economic, Governance, and Security Indicators to Conditions for Stabilizing Iraq*, GAO-05-868C (Washington, D.C.: Sept. 29, 2005).

[9] GAO, *Rebuilding Iraq: More Comprehensive National Strategy Needed to Help Achieve U.S. Goals*, GAO-06-788 (Washington, D.C.: July 11, 2006).

[10] For information on the April 2006 campaign plan, see our classified report, GAO, *Plans for Stabilizing Iraq*, GAO-06-152C, (Washington, D.C.: Oct. 18, 2006).

[11] GAO-06-788.

The New Way Forward Addressed Escalating Violence

In response to the escalating violence, the President in January 2007 announced a new strategy—*The New Way Forward*—that established a new phase in U.S. operations for the near term of 12 to 18 months, or until July 2008. According to State and DOD officials, the Administration did not revise the NSVI strategy document when it announced *The New Way Forward*. Instead, four documents outline the goals and objectives of *The New Way Forward*: (1) NSC, *Highlights of the Iraq Strategy Review*, January 2007; (2) the President's address to the nation, January 10, 2007; (3) *Fact Sheet: New Way Forward in Iraq*, January 10, 2007; (4) Office of the Press Secretary, White House, *Background Briefing by Senior Administration Officials*, January 10, 2007.

According to the NSC document, the new strategy altered the administration's assumptions regarding the security and political conditions in Iraq and how they would help or hinder the achievement of U.S. goals. For example, the Administration previously believed that the Iraqi elections in 2005 would lead to a national compact for democratic governance shared by all Iraqis and the continued training and equipping of Iraqi security forces would facilitate reductions in U.S. military forces. *The New Way Forward* acknowledged that national reconciliation might not take the form of a comprehensive national compact but could come from piecemeal efforts (see table 1). Similarly, *The New Way Forward* stated that while many Iraqi security forces were leading military operations, they were not yet ready to handle security challenges independently.

Table 1: The Administration's Comparison of Key Assumptions in *The New Way Forward* and Prior U.S. Strategy

Key assumptions	
Prior strategy	***New Way Forward***
• Primary challenge is a Sunni-based insurgency.	• Primary challenge is violent extremists from multiple communities; the center is eroding and sectarianism is spiking.
• Political progress will help defuse the insurgency and dampen levels of violence.	• While political progress, economic gains, and security are intertwined, political and economic progress is unlikely absent a basic level of security.
• Iraqi security forces are gaining in strength and ability to handle Iraq's security challenges.	• Many elements of Iraqi security forces are in the lead but not yet ready to handle Iraqi security challenges independently.
• A national compact is within the grasp of Iraqi leaders and will have meaningful impact on security.	• Effective national reconciliation may not take the form of a comprehensive package deal; it could come about as the product of piecemeal efforts.
• Majority of Iraqis will support the coalition and Iraqi efforts to build a democratic state.	• Iraqis are increasingly disillusioned with coalition efforts.
• Majority of Iraqis and Iraqi leaders see their interests as best advanced by a unified Iraq.	• While still committed to a unified Iraq, many Iraqis are also advancing sectarian agendas.
• Dialogue with insurgent groups will help reduce violence.	• Dialogue with insurgent groups has not improved security and may not produce strategic gains in current context.
• Region has a strategic interest in the stabilization of Iraq.	• Many Arab states remain wary of throwing their full support behind the Iraqi government.

Source: National Security Council, Highlights of the Iraq Strategy Review, January 2007.

The January 2007 strategy documents defined the original goals and objectives that the Administration believed were achievable by the end of this phase in July 2008. For example, the President pledged to increase the number of U.S. military forces in Iraq to help the Iraqis carry out their campaign to reduce sectarian violence and bring security to Baghdad and other areas of the country. The strategy also called for MNF-I to transfer security responsibilities to all 18 Iraqi provinces by the end of 2007. Further, the President committed to hold the Iraqi government to its pledges to (1) enact and implement key legislation to promote national reconciliation, (2) execute its capital budget, and (3) provide essential services to all Iraqi areas and communities and help Iraq maintain and expand its oil exports.

Improving Security Conditions

The following section provides information on security conditions in Iraq from mid-2007 through May 2008, including factors affecting these conditions.

Security Conditions Improved from Mid-2007 through Early 2008

Establishing a basic level of security is a key goal of *The New Way Forward*. Figure 1 shows that the overall levels of violence in Iraq—as measured by enemy-initiated attacks—decreased about 70 percent from June 2007 to February 2008, a significant reduction from the high levels of violence in 2006 and the first half of 2007. Similarly, as depicted in figure 2, the average daily number of enemy-initiated attacks declined from about 180 in June 2007 to about 60 in November 2007 and declined further to about 50 in February 2008. From 2003 through 2007, enemy-initiated attacks had increased around major political and religious events, such as Iraqi elections and Ramadan. In 2007, attacks did not increase during Ramadan.[12] In a March 2008 report, DOD noted that reductions in violence across Iraq have enabled a return to normal life and growth in local economies.

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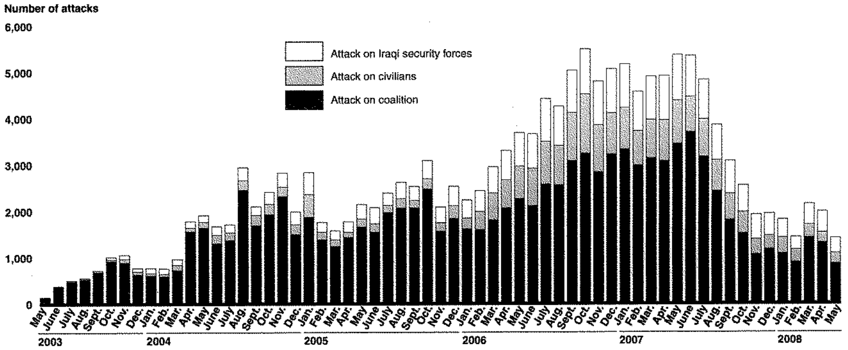
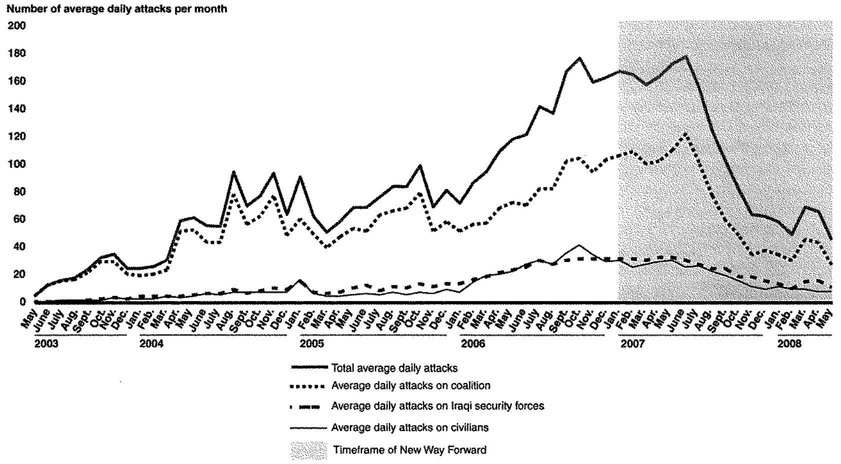
[12] Ramadan is the ninth month of the Islamic calendar. In 2007, Ramadan began on September 13. In prior years, the month of Ramadan began about October 27, 2003; October 16, 2004; October 5, 2005; and September 24, 2006. In 2007, Ramadan began on September 13.

Figure 1: Enemy-Initiated Attacks by Month, May 2003 to May 2008



Source: GAO analysis of DIA-reported Multi-National Force-Iraq data, May 2008.

Figure 2: Average Daily Attacks, May 2003 to May 2008



Source: GAO analysis of DIA-reported Multi-National Force-Iraq data, May 2008.

However, data for March 2008 show an increase in violence in Iraq. Security conditions deteriorated in March 2008, with the average number of attacks increasing from about 50 per day in February 2008 to about 70 attacks per day in March—about a 40 percent increase (see fig. 2). According to an April 2008 UN report,[13] the increase in attacks resulted from Shi'a militias fighting Iraqi security forces throughout southern Iraq, as well as an increase in incidents of roadside bomb attacks against Iraqi security forces and MNF-I in Baghdad. The average number of attacks declined to about 65 per day in April and to about 45 per day in May.

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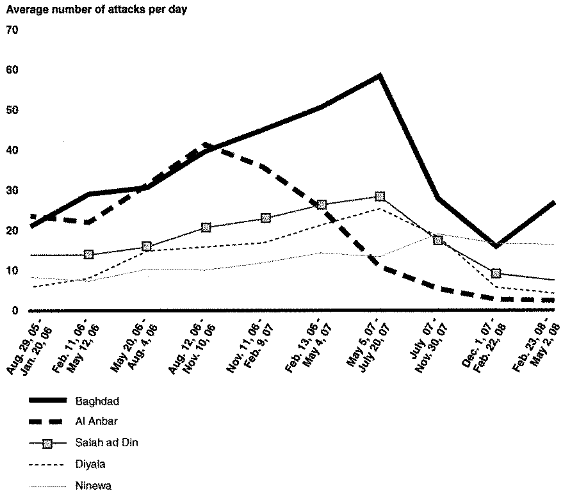
[13] UN Security Council, *Report of the Secretary-General Pursuant to Paragraph 6 of Resolution 1770 (2007)* (Apr. 22, 2008).

The enemy-initiated attacks counted in the Defense Intelligence Agency's (DIA) reporting include car, suicide, and other bombs; ambushes; murders, executions, and assassinations; sniper fire; indirect fire (mortars or rockets); direct fire (small arms or rocket-propelled grenades); surface-to-air fire (such as man-portable air defense systems, or MANPADS); and other attacks on civilians. They do not include violent incidents that coalition or Iraqi security forces initiate, such as cordon and searches, raids, arrests, and caches cleared.

According to DIA, the incidents captured in military reporting do not account for all violence throughout Iraq. For example, they may underreport incidents of Shi'a militias fighting each other and attacks against Iraqi security forces in southern Iraq and other areas with few or no coalition forces. DIA officials stated, however, that they represent a reliable and consistent source of information that can be used to identify trends in enemy activity and the overall security situation.

According to DOD reports, the reduction in overall violence resulted primarily from steep declines in violence in Baghdad and Anbar provinces, though the violence in Baghdad increased in March 2008 (see fig. 3). These two provinces had accounted for just over half of all attacks in Iraq around the time the President announced *The New Way Forward*. As of February 2008, during one of the lowest periods for attacks in Iraq since the start of *The New Way Forward*, about one-third of all attacks in Iraq occurred in Baghdad and Anbar provinces.

Figure 3: Average Number of Daily Attacks in Iraq for Selected Provinces, August 2005 through Early May 2008



Source: GAO analysis of DOD's quarterly reports to Congress, *Measuring Stability and Security in Iraq*, January 2006 through February 2008; and data provided by MNF-I for March 2008 through May 2008.

Note: Each data point represents the average number of daily attacks for the specified period of time, as reported in DOD's quarterly reports to Congress.

Security Conditions Remain Volatile and Dangerous

Despite improvements in the security situation, an April 2008 UN report found that violence has continued throughout Iraq and could rapidly escalate. According to the UN, toward the end of 2007, suicide bombings, car bombs, and other attacks continued with devastating consequences for civilians. While security improved in Baghdad and other locations, it deteriorated elsewhere, including in the city of Mosul in Ninewa province and in Diyala province. According to the UN report, religious and ethnic minorities and other vulnerable groups were victims of violent attacks. Armed groups also carried out assassinations of government or state officials, religious figures, professional groups, and law enforcement personnel.

The violence in Iraq continues to result in the displacement of many Iraqis from their homes. In late March 2008, the Internally Displaced Persons (IDP) Working Group[14] reported that the number of IDPs remained very high, but new displacement was occurring at a lower rate. The working group attributed the lower rate of displacement to, among other things, the increasing ethnic homogenization within Iraq; the decrease in security incidents in some areas of Baghdad; and restrictions on freedom of movement in many Iraqi provinces. During April 2008, according to UN and International Organization for Migration reports, hundreds of Iraqi families fled their homes in the Sadr City area of Baghdad, with the majority returning by early June 2008. The IDP Working Group estimated that over 2.77 million people were displaced inside Iraq, of which more than 1.5 million were displaced from 2006 through March 20, 2008. [15] Further, the IDP Working Group estimated that 2 million additional Iraqis have left the country, including 1.2 million to 1.5 million who went to Syria and 450,000 to 500,000 who went to Jordan.[16] The IDP Working Group also reported that as of March 20, 2008, large-scale return movements have not occurred.[17] According to a May 2008 State Department report, more Iraqis were entering Syria in early 2008 than were returning to Iraq. State also reported that overall conditions for refugees in the region and Iraqis internally displaced continue to deteriorate.

Moreover, the dangerous and volatile security conditions continue to hinder the movement and reconstruction efforts of international civilian personnel throughout Iraq. For example, according to a March 2008 DOD report, security concerns continue to discourage international investors and hinder private sector growth in most parts of the country. Due to the dangerous security conditions, State Department-led Provincial Reconstruction Teams continue to rely heavily on military assets for movement security and quick reaction force support, among other areas. Further, in April 2008, the UN reported that it has limited access throughout Iraq due to security constraints that hinder UN movement and daily activities.

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[14] IDP Working Group members include the United Nations High Commissioner for Refugees, International Organization for Migration, other UN agencies, and nongovernmental organizations. Working Group reports are based on surveillance data gathered by IDP Working Group members, as well as information provided by the Ministry of Displacement and Migration (MODM), the Kurdistan Regional Government (KRG), and the International Committee of the Red Cross and other non-governmental organizations.

[15] We did not verify the accuracy of the data provided, and although U.S. government, international, and nongovernmental organizations agree that the data is of questionable reliability, they also agree that it is currently the best data available.

[16] These estimates are based on the official estimates of the governments of Syria and Jordan, respectively. We did not verify the accuracy of the data provided.

[17] According to the IDP Working Group, most returns have been to areas that have become ethnically or religiously homogeneous and are under the control of the returnees' sect.

The United Nations also reported an increase in attacks against secure facilities that house and employ international diplomatic and military personnel. For example, from October 2007 through mid-March 2008, the indirect fire attacks aimed at the International Zone were less than a dozen. However, during the last week of March, the International Zone received 47 separate indirect fire barrages consisting of 149 rounds of 122-millimeter and 107-millimeter rockets and at least three larger 240-millimeter rockets, one of which hit the UN compound. In addition, according to the UN report, the incidence of indirect fire attacks on Basra air station, the British military base that also houses U.S. and other international civilian personnel, rose steadily during the first 3 months of 2008, with 48 attacks from January to March.

Al Qaeda in Iraq Has Sustained Significant Losses but Remains Resilient

The New Way Forward has the goal of defeating al Qaeda in Iraq (AQI) and its supporters and ensuring that no terrorist safe haven exists in Iraq. According to MNF-I, DOD, and State reports, rejection of al Qaeda in Iraq by significant portions of the population and operations to disrupt AQI networks have helped decrease violence in Iraq; however, AQI is not defeated and maintains the ability to carry out high-profile attacks. According to MNF-I's Commanding General, the loss of local Sunni support for AQI had substantially reduced the group's capability, numbers, areas of operation, and freedom of movement. DOD reported in March 2008 that AQI lost strength and influence in Anbar province, Baghdad, the belts around Baghdad, and many areas of Diyala province.

The report notes, however, that AQI remains highly lethal and maintains a significant presence in parts of the Tigris River Valley, Ninewa province, and other areas of Iraq. According to an MNF-I report, AQI is now predominately based in northern Iraq, especially in Mosul, where frequent high-profile attacks continue.

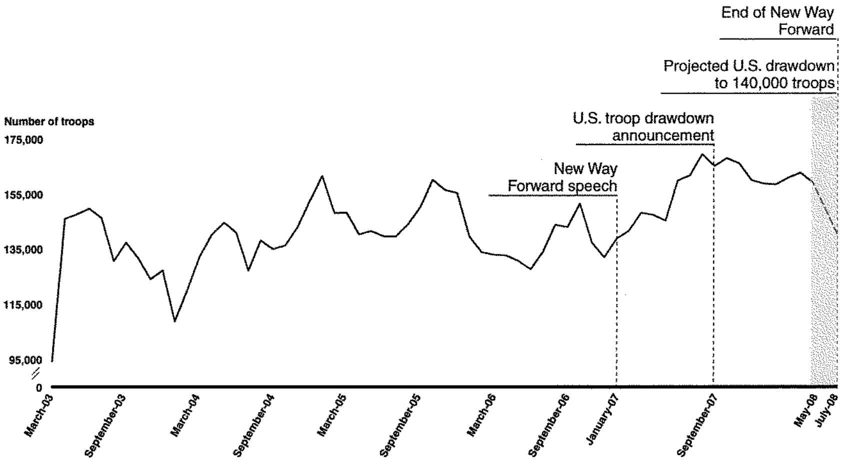
Three Key Factors Contributed to Security Gains

DOD, State, and UN reports attribute the reductions in violence in Iraq to three key actions: (1) the increase in U.S. combat forces, (2) the establishment of nongovernmental Iraqi security forces, and (3) the cease-fire declaration of the Mahdi Army leader.

U.S. Surge Allowed a Change in Tactics for *The New Way Forward*

In announcing *The New Way* Forward in January 2007, the President cited two primary reasons for ordering an increase in U.S. forces in Iraq. First, the President acknowledged that earlier efforts to provide security in Baghdad had failed, in part, due to an insufficient number of U.S. and Iraqi troops to secure neighborhoods cleared of terrorists and insurgents. He therefore called for an increase of over 20,000 U.S. combat and other forces, including an additional 5 brigades. The vast majority of these troops would help Iraqis clear and secure neighborhoods and protect the local population. Second, to support local tribal leaders who had begun to show a willingness to take on AQI, the President ordered the deployment of 4,000 U.S. troops to Anbar province. Figure 4 shows the increase of U.S. forces in Iraq from about 132,000 in December 2006 to about 169,000 in August 2007, an overall increase of about 37,000 troops—almost 30 percent above the December 2006 force level.

Figure 4: U.S. Forces in Iraq, March 2003 to July 2008



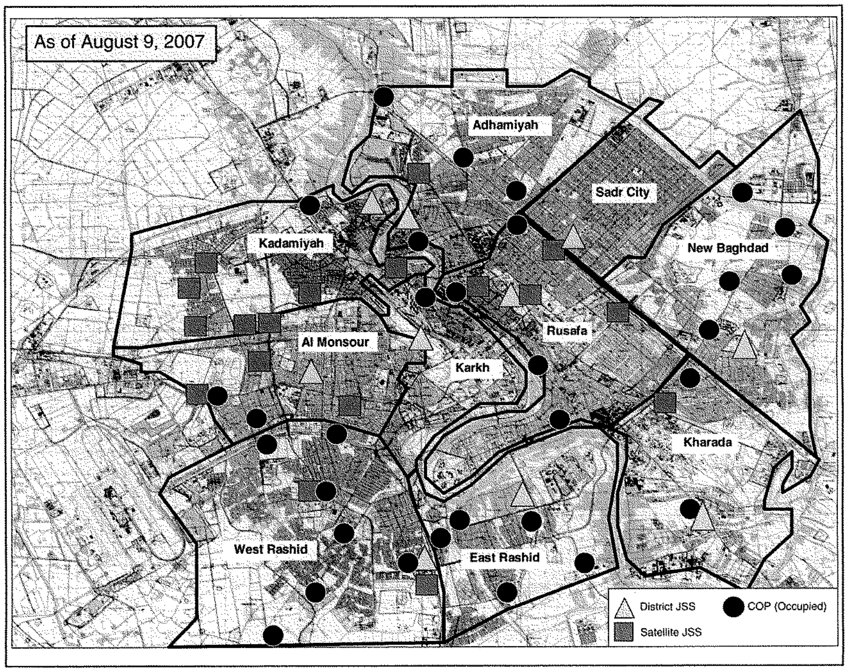
Source: DOD, Joint Staff and State Department data.

Note: For all months prior to February 2008, DOD provided GAO with end-of-month data for the number of U.S. troops in Iraq. In February 2008, DOD began to provide GAO with data from the beginning of the month.

In September 2007, the President announced that the United States would withdraw the surge forces by July 2008—the end of *The New Way Forward*—resulting in a decline in U.S. brigade combat teams from 20 to 15 and a projected force level of about 140,000 U.S. troops. The MNF-I Commanding General reported in April 2008 that he would need 45 days after the surge brigades leave Iraq to consolidate his forces and assess how the reduced U.S. military presence will affect conditions on the ground. After that time, he would assess whether U.S. forces could be further reduced.

According to DOD reporting, the additional surge forces allowed MNF-I to increase its operational tempo and change tactics in providing security to the Iraqi people. Specifically, the additional troops enabled MNF-I to maintain a continuous presence in Baghdad and surrounding areas by establishing about 60 joint security stations with Iraqi forces and combat outposts outside of its large operating bases as of August 2007 (see fig. 5). In May 2008, the former commander of the Multinational Corps-Iraq reported that the number of joint security stations and combat outposts had since increased to 75.

Figure 5: Location of Joint Security Stations and Combat Outposts in Baghdad Security Districts, as of August 2007


As of August 9, 2007
Adhamiyah
Sadr City
Kadamiyah
New Baghdad
Rusafa
Al Monsour
Karkh
Kharada
West Rashid
East Rashid
△ District JSS
● COP (Occupied)
■ Satellite JSS

Source: Multilateral Division-Baghdad.

In March 2008, DOD reported that these security stations and outposts had a stabilizing effect along ethnic fault lines, complemented MNF-I's efforts to reconcile former insurgents, and helped maintain pressure on domestic and external insurgent elements. Over time, according to the DOD report, MNF-I will transfer the joint security stations and combat outposts to Iraqi forces as it draws down and moves to a support role.

Nongovernmental Security Forces Have Opposed AQI but Generally Have Not Reconciled with the Iraqi Government

According to DOD and MNF-I reports, the establishment of local nongovernmental security forces that oppose AQI has helped decrease the levels of violence in parts of Iraq, most notably in Anbar province, but these groups by and large have not yet reconciled with the Iraqi government. The groups, including those now known as the Sons of Iraq, began forming in Anbar province in late 2006, with the movement spreading to other areas of Iraq during 2007 and 2008. As Sons of Iraq, these former insurgents take an oath to be law-abiding citizens and work with MNF-I and, in some cases, the Iraqi government to protect their local communities. Most work on MNF-I contracts. Overall, according to an April 2008 MNF-I report, the various Sons of Iraq groups consisted of about 105,000 members. Sons of Iraq groups do not have a national or regional structure, as local groups are generally organized along sectarian lines based on the neighborhoods in which they operate.

In March 2008, DOD reported that the Sons of Iraq program has helped to improve security at the local level by involving local citizens in the security of their communities. According to the DOD report, the Sons of Iraq are a key component of the counterinsurgency fight due to their knowledge of the local populace and their ability to report activities that might otherwise escape the attention of MNF-I and Iraqi forces. These groups also provide security for roads, municipal buildings, power lines, and other key facilities in their local communities under the direction of MNF-I or Iraqi forces, thereby allowing MNF-I and Iraqi forces to pursue and engage the enemy.

While the Sons of Iraq are playing an important role at the local level to quell violence, DOD reported that they also pose some challenges for the Iraqi government and the coalition. These challenges include the potential for infiltration by insurgents,[18] the possible distortions in the local economy if salaries are not carefully managed, and the lack of a cohesive Iraqi plan to transition the Sons of Iraq to the Iraqi forces or civilian employment. According to DOD reporting, the Iraqi government continues to debate the future of the Sons of Iraq, raising concerns over infiltration by irreconcilable elements, the merits of supporting or employing a large number of former insurgents, and the methods for transitioning Sons of Iraq members into the Iraqi forces, private sector employment, or educational programs. Further, according to the April 2008 UN report, despite their relative success and growing numbers, during early 2008 some tribal security forces temporarily withdrew their support of MNF-I and the Iraqi security forces in Diyala and Babil provinces. Fraying relations between these groups and the Iraqi government in Anbar province caused a spike in violence in this area. As of March 2008, DOD reported that about 20,000 Sons of Iraq had already transitioned to the Iraqi security forces or civil employment.

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[18] According to an April 2008 MNF-I report, it is highly likely that a large percentage of Sons of Iraq members had previously participated in the insurgency on at least a part-time basis.

Declared Cease-fire of the Mahdi Army Is Tenuous

According to DOD and UN reports, the cease-fire declared in August 2007 by the leader of the Mahdi Army, an extremist Shi'a militia, contributed significantly to the decline in violence in the second half of 2007. However, the cease-fire appears tenuous as the militia recently increased attacks against other Shi'a militias, the coalition, and Iraqi security forces before declaring another cease-fire on May 11. The Mahdi Army and its affiliated special groups remain the largest and most dangerous Shi'a militia in Iraq, according to an MNF-I report, with a combined nationwide strength of approximately 25,000 to 40,000 active members supported by a large body of non-active supporters.

According to DOD and UN reports, the cease-fire showed signs of fraying in late 2007, as tensions increased in southern Iraq among the various Shi'a militia factions. These tensions led the various Shi'a militia factions to begin routinely launching attacks against each other's interests and periodically engaging in open conflict lasting several days, or even weeks, before Iraqi security forces and MNF-I intervened. In February 2008, according to the UN report, there were numerous public demonstrations against the political and security leadership in Basra. Despite the reaffirmation of the Mahdi Army ceasefire in February, the Iraqi government launched an offensive against criminal and militia elements in Basra in late March 2008, which sparked widespread fighting in Baghdad, Basra, and other southern cities. According to a UN report, violence declined in Basra in April as the Iraqi government and various armed groups reached agreement to stop fighting, but violence continued in Sadr City, a Mahdi Army-controlled area of 2.5 million people. Moreover, the Iraqi security forces have conducted operations targeting the Mahdi Army in Nassiriyah, al-Amarah, al-Kut, and Hillah, thus escalating the level of violence in these cities. Najaf and Karbala also suffered explosive attacks in the last week of March, which, according to the UN, are rare occurrences in these two cities. On May 20, 2008, the International Organization for Migration reported that the security situation had improved somewhat in Sadr City due to a truce between the Mahdi Army and government forces on May 11.

Developing Iraqi Security Forces

This section discusses the strength and capabilities of Iraqi security forces and efforts to transfer security responsibilities to the Iraqi government.

Iraqi Military and Police Force Levels Have Increased

The New Way Forward set the goal of developing capable Iraqi security forces and transferring security responsibilities to the government of Iraq. Since 2003, the United States has provided more than $20 billion to develop Iraqi security forces. The Iraqi security forces comprise Ministry of Defense and Ministry of Interior forces that vary in size. Overall, the number of Iraqi military and police personnel has increased from about 142,000 in March 2005 to about 445,000 in April 2008.[19] The number of Iraqi security forces is almost three times that of the 162,300 U.S. forces in Iraq as of April 2008. The Iraqi total includes about 203,000 under the Iraqi Ministry of Defense and about 238,000 under the Ministry of Interior. Table 2 provides the force levels for the major components of the Iraq security forces in March 2005, January 2007, and April 2008. In commenting on a draft of this report, DOD stated that the number of trained and equipped Iraqi security forces had grown to about 478,000 as of May 2008.

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[19] As of April 2008, more than 538,000 personnel—including about 280,000 police—were assigned to the Ministries of Interior and Defense. These figures do not include civilian staff or Facilities Protection Service personnel, nor do they reflect present for duty status. In December 2007, DOD reported that the number of personnel assigned to the two ministries exceeds the number of total trained personnel because many of them—mainly police—have never been trained. According to DOD, rapid hiring of police over the past 2 years outstripped academy training capacity.

Table 2: Number of Iraqi Security Forces, March 2005, January 2007, and April 2008

Ministry	Component	March 2005 operational/trained and equipped[a]	January 2007 operational/trained and equipped[a]	April 2008 trained[b]
Defense	Iraqi Army	59,880	132,700[c]	200,013[d]
	Air Force	186	900	1,370
	Navy	517	1,100	1,194
Subtotal		**60,583[e]**	**134,700[e]**	**202,577**
Interior	Iraqi Police Service	55,015[f]	135,000	166,037
	Other Ministry of Interior forces			
	National police		24,400	44,156
	Border enforcement			28,023
	Other		28,900	
Subtotal		**26,874**	**53,300**	**72,179**
Subtotal		**81,889[g]**	**188,300[g]**	**238,216**
Counterterrorism Bureau	Special Operations			3,709
Subtotal				**3,709**
Total		**142,472**	**323,000[h]**	**444,502[i]**

Sources: U.S. State Department and Multinational Security Transition Command Reports.

Notes:

[a] The term "operational" refers to Ministry of Defense forces. The term "trained and equipped" refers to Ministry of Interior forces. Numbers are from the State Department's March 9, 2005 and January 31, 2007 Iraq Weekly Status Report and Multinational Security Transition Command Iraqi Security Forces Update, January 26, 2007.

[b] The term "trained" refers to Ministry of Defense, Ministry of Interior and Counterterrorism Bureau forces. Numbers are from April 30, 2008 Iraq Weekly Status Report.

[c] Army numbers include Special Operations Forces and Support Forces.

[d] Army numbers include support forces.

[e] Unauthorized absent personnel are not included in Ministry of Defense numbers.

[f] The number in the Iraqi police service in 2005 includes highway patrol forces.

[g] Unauthorized absent personnel are included in Ministry of Interior numbers.

[h] Does not include the approximately 144,000 Facilities Protection Service personnel working in 27 ministries.

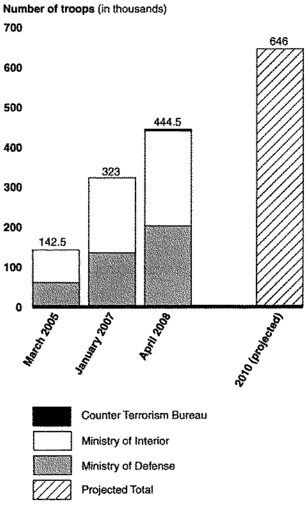
[i] Numbers reflect total Iraqi security forces trained to date, some of which are no longer assigned due to casualties, absence without leave, and normal separation.

Ministry of Defense forces consist of 12 Iraqi army divisions and a small air force and navy. These forces have grown by more than 230 percent since March 2005. Iraqi Ministry of Interior forces consist of Iraqi police—

which, as of April 2008, represent about 70 percent of personnel within the Ministry of Interior—and other units, specifically, the national police (formerly the special police), Department of Border Enforcement, and Center for Dignitary Protection. Iraqi police precincts are under the operational control of their local municipality and the corresponding provincial government. Ministry of Interior forces have grown by more than 200 percent since March 2005.

Future projections show that the Iraqi security forces will continue to grow. DOD reported that Iraqi security forces—military, police, and special operations forces—could reach 646,000 by 2010 (see figure 6). Specifically, the Ministry of Interior is projected to grow to about 389,000 employees in the Iraqi police service, national police, and Directorate of Border Enforcement. Ministry of Defense forces will include 13 army divisions (12 infantry, 1 armored) along with supporting forces, 1,500 navy personnel, 4,000 air force personnel, and 5,750 counterterrorism forces.

Figure 6: Number of Trained Iraqi Security Forces, March 2005 through 2010



Source: GAO analysis of U.S. State Department, Multinational Security Transition Command, and Department of Defense Reports.

The number of trained Iraqi security forces may overstate the number of troops present for duty. According to DOD, the number of trained troops includes personnel who are deceased or absent without leave.[20] For example, DOD reported that approximately 24,500 soldiers were dropped from the Iraqi Army rolls in 2007 because they deserted or were absent without leave. However, these troops are still counted in trained numbers. An April 2008 Special Inspector General for Iraqi Reconstruction report confirmed that a substantial number of Iraqi personnel still on the payroll were not present for duty for various reasons, such as being on leave, absent without leave, injured, or killed.[21]

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[20] In March 2005 data, Ministry of Defense totals did not include soldiers who were absent without leave.

Iraqi Security Forces Capabilities Have Shown Limited Improvement

In September 2007, GAO assessed the Iraqi government's progress in increasing the number of Iraqi security forces' units capable of operating independently. This was a benchmark established by the U.S. Congress and derived from benchmarks and commitments articulated by the Iraqi government beginning in June 2006. The number of independent Iraqi security forces as measured by Operational Readiness Assessments (ORA) level 1 continues to be an important measure of the capabilities of Iraqi security forces.

Although Iraqi security forces have grown in number and many are leading counterinsurgency operations, MNF-I assessments of their readiness levels show limited improvements. MNF-I uses ORA to determine when Iraqi units can assume the lead for security operations.[22] The ORA is a classified joint assessment prepared monthly by the unit's coalition and Iraqi commanders. For the Iraqi army, commanders use the ORA process to assess a unit's personnel, command and control, equipment, sustainment and logistics, and training and leadership capabilities. ORA level 1 is a unit capable of planning, executing, and sustaining counterinsurgency operations;[23] level 2 is capable of planning, executing, and sustaining counterinsurgency operations with Iraqi security force or coalition force assistance; level 3 is partially capable of planning, executing, and sustaining counterinsurgency operations with coalition force assistance; level 4 is forming and/or incapable of conducting counterinsurgency operations.

In April 2008, the Commanding General of MNF-I reported that more Iraqi security force battalions were leading security operations in Iraq. He stated that MNF-I handed over the lead security responsibility to 19 additional Iraqi army battalions between January 2007 and March 2008, as displayed in figure 7.

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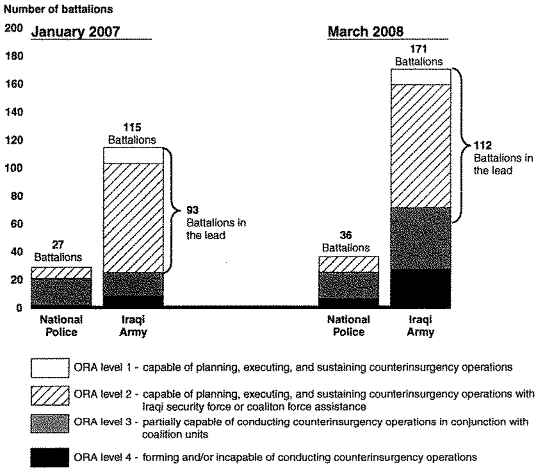
[21] Office of the Special Inspector General for Iraqi Reconstruction, *Interim Analysis of Iraqi Security Force Information Provided by the Department of Defense Report, Measuring Stability and Security in Iraq* (Apr. 25, 2008).

[22] Operational Readiness Assessments were previously called Transitional Readiness Assessments.

[23] Prior to March 2006, ORA level 1 was defined as "fully capable of planning, executing, and sustaining independent counterinsurgency operations." See GAO, *Operation Iraqi Freedom: DOD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed*, GAO-08-143R (Washington, D.C: Nov. 30, 2007).

Figure 7: Iraqi Security Force Operational Readiness Levels, January 2007 and March 2008



Source: GAO analysis of data presented in testimony by the Commanding General of MNF-I and MNC-I documents.

While 65 percent of the Iraqi units were in the lead in counterinsurgency operations as of March 2008, the number of Iraqi army battalions rated at the highest readiness level accounts for less than 10 percent of the total number of Iraqi army battalions. While the number of battalions "in the lead"—that is, leading counterinsurgency operations with or without coalition support—increased from 93 in January 2007 to 112 in March 2008, MNF-I is now including some units at ORA level 3 as in the lead, which are assessed as partially capable of conducting counterinsurgency operations. In contrast, the January 2007 report did not include ORA Level 3 units as in the lead. GAO is completing work assessing the capabilities of the Iraqi security forces at each ORA level.

According to DOD, the Iraqi national police battalions, organized under the Ministry of Interior, generally have been less capable and have shown less progress than Iraqi army battalions. While the number of Iraqi national police battalions increased from 27 in January 2007 to 36 in March 2008, no units achieved ORA level 1, and about 11 units were at ORA level 2.

Several Factors Have Complicated the Development of Capable Iraqi Security Forces

The United States faces several challenges in enhancing the capabilities of Iraq's security forces: (1) the lack of a single unified force; (2) sectarian and militia influences; (3) continued dependence upon U.S. and coalition forces for logistics and combat support; and (4) training and leadership shortages.

First, Iraqi security forces are not a single unified force with a primary mission of countering the insurgency in Iraq. Only one major component of the Iraqi security forces, the Iraqi army, has counterinsurgency as its primary mission. The Iraqi army represents about 45 percent of 445,000 trained Iraqi security forces.[24] The Iraqi local police represent 37 percent of total trained security forces and have civilian law enforcement as a primary mission. The Iraqi national police account for 10 percent of total trained Iraqi forces. According to the Independent Commission on the Security Forces of Iraq, the national police are not a viable organization, as they face significant challenges, including public distrust, real and perceived sectarianism, and uncertainty as to whether it is a military or police force.[25] The commission recommended that the national police be disbanded and reorganized under the Ministry of Interior. As a smaller organization with a different name, it would be responsible for specialized police tasks such as explosive ordnance disposal, urban search and rescue, and other functions.

Second, sectarian and militia influences have divided the loyalties of the Iraqi security forces. In May 2007, the U.S. Commission on International

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[24] In commenting on a draft of this report, DOD stated that the Iraqi Army represents about 30 percent of the 541,000 authorized Iraqi security forces and 33 percent of the 559,159 assigned personnel as of May 2008.

[25] General James L. Jones, USMC (Ret.), Chairman, *The Report of the Independent Commission on the Security Forces of Iraq* (Sept. 6, 2007).

Religious Freedom[26] reported that Iraq's Shi'a-dominated government has engaged in sectarian-based human rights violations and has tolerated abuses committed by Shi'a militias with ties to political factions in the governing coalition. According to the commission, the Iraqi government, through its security forces, has committed arbitrary arrest, prolonged detention without due process, targeted executions, and torture against non-Shi'a Iraqis. In September 2007, we determined that the Iraqi government had not eliminated militia control over local security forces and that sectarianism in the Iraqi security forces was a serious problem in Baghdad and other areas of Iraq. According to DOD, in March 2008, sectarianism and corruption continue to be significant problems within the Ministries of Interior and Defense. For example, some army units sent to Baghdad have had ties to Shi'a militias, making it difficult to target Shi'a extremist networks. According to the March 2008 State Department Human Rights Report, the effectiveness of Ministry of Interior forces, particularly the national police, was seriously compromised by militia influence.[27]

Third, as we reported in November 2007, Iraqi units remain dependent upon the coalition for their logistical, command and control, and intelligence capabilities.[28] The Ministries of Defense and Interior were not capable of accounting for, supporting, or fully controlling their forces in the field, nor do the Iraqi security forces have critical enablers such as intelligence and logistics systems and processes that permit independent planning and operations. Due to Iraq's immature logistics systems, many Iraqi military and police units will continue to depend on MNF-I for key sustainment and logistics support through 2008. Further, the Independent Commission on the Security Forces of Iraq stated that the Iraqi Army remains heavily dependent on contracted support to satisfy day-to-day requirements, and it appears that contracted logistics support in some form will be necessary for 2 to 3 years.

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[26] U.S. Commission on International Religious Freedom, *Annual Report of the U.S. Commission on International Religious Freedom* (Washington D.C.: May 2007). The U.S. Commission on International Religious Freedom was created by the International Religious Freedom Act of 1998 (IRFA) to monitor violations of the right to freedom of thought, conscience, and religion or belief abroad, as defined in IRFA and set forth in the Universal Declaration of Human Rights and related international instruments, and to give independent policy recommendations to the President, Secretary of State, and Congress.

[27] Department of State, Bureau of Democracy, Human Rights, and Labor, *Iraq: Country Reports on Human Rights Practices* (Washington, D.C.: Mar. 11, 2008).

[28] See GAO, *Operation Iraqi Freedom: DOD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed*, GAO-08-143R (Washington, D.C: Nov. 30, 2007).

Fourth, shortfalls in training, leadership, personnel, and sustainment have contributed to the limited progress in the number of Iraqi battalions capable of operating independently, according to DOD reports. To address this problem, the Iraqi government has expanded its training capacity. According to DOD's March 2008 report, the Ministry of Interior has expanded the number of its training facilities from 4 to 17 over the past year and is implementing its first annual strategic plan. In addition, the Iraqi army plans to develop training centers in 2008 that will train an additional 2,000 soldiers per cycle. However, DOD noted that Ministry of Interior and Defense basic combat and police training facilities are at or near capacity and that the shortage of leaders in the Iraqi security forces will take years to address. Furthermore, the influx of about 20,000 of the 105,000 Sons of Iraq who are currently working with coalition forces will place an additional strain on the capacity of the Iraqis to train their forces, particularly the police.

Transfer of Security Responsibilities to Iraqi Control Has Not Met Expected Time Frames

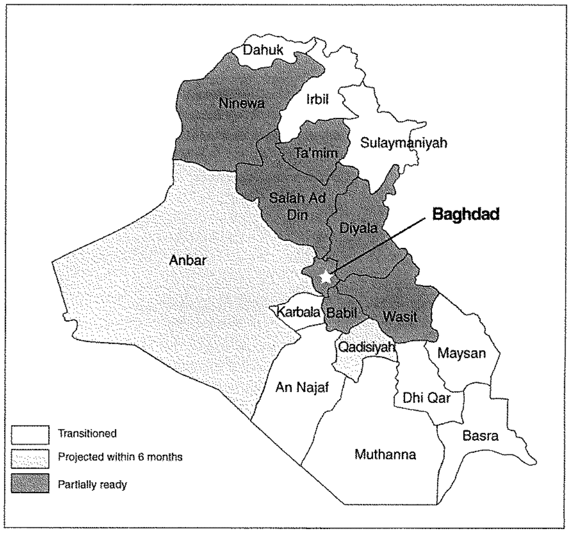
The ability of a province to transfer from MNF-I to provincial Iraqi control is dependent on security and governance in each province. Due to increased levels of violence and the lack of capable Iraqi security forces, the projected transition dates for the completion of the provincial Iraqi control process have shifted over time.

In June 2005, Iraq's Prime Minister announced a joint decision between the government of Iraq and MNF-I to systematically hand over security responsibility in Iraq's 18 provinces under the control of the province's governor. The Joint Committee to Transfer Security Responsibility was commissioned in July 2005 to develop a set of conditions assessing the readiness of each province for Iraqi control. Four conditions are used to determine whether a province should be transferred to provincial Iraqi control. These conditions include (1) the threat level of the province, (2) Iraqi security forces' capabilities, (3) the governor's ability to oversee security operations, and (4) MNF-I's ability to provide reinforcement if necessary. According to MNF-I, as these conditions are met, MNF-I forces will then leave all urban areas and assume a supporting role to Iraq's security forces.

In January 2007, *The New Way Forward* stated that the Iraqi government would take responsibility for security in all 18 provinces by November 2007. However, this date was not met, as only 8 of 18 provinces had transitioned to Iraqi control at that time. According to DOD, in September 2007, the principal cause for the delay in transitioning provinces to Iraqi control was the inability of the Iraqi police to maintain security in the provinces. For example, as a result of the February 2007 Baghdad Security Plan, an increased number of terrorists, insurgents, and members of illegal militia fled Baghdad for other provinces, and the Iraqi police were unable to handle these threats.

As of May 2008, nine provincial governments have lead responsibility for security in their province. Six of the nine provinces that have assumed security responsibilities are located in southern Iraq, where the British forces had the lead and have continued to draw down their forces. The remaining three provinces are located in northern Iraq, in the area controlled by the Kurdistan Regional Government. Figure 8 displays the degree to which the provinces had achieved provincial Iraqi control as of May 2008.

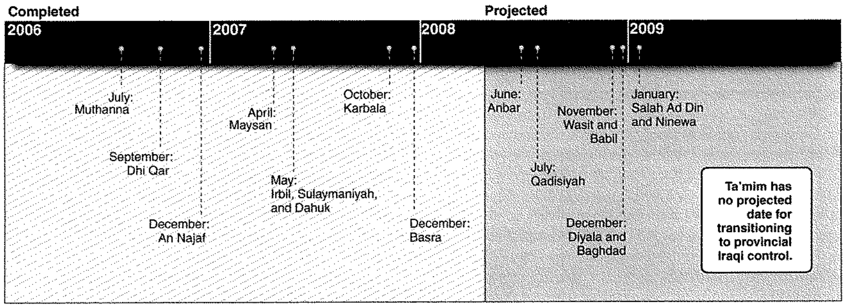
Figure 8: Provinces That Have Transitioned to Provincial Iraqi Control, as of May 2008


Dahuk
Ninewa
Irbil
Ta'mim
Sulaymaniyah
Salah Ad Din
Diyala
Baghdad
Anbar
Karbala
Babil
Wasit
Qadisiyah
Maysan
An Najaf
Dhi Qar
Basra
Muthanna
Transitioned
Projected within 6 months
Partially ready

Source: GAO analysis of MNF-I data.

According to the MNF-I Commanding General, eight of the nine remaining provinces are expected to transition to provincial Iraqi control by early 2009. One of the provinces (Ta'mim) has no expected transition date. Figure 9 shows the projected timelines for transferring security responsibilities to the remaining provincial governments.

Figure 9: Timeline for Transfer of Security Responsibilities to Provincial Iraqi Control



Source: GAO analysis of MNF-I data.

According to the MNF-I Commanding General, the coalition continues to provide assistance even after security responsibilities have transferred to provincial Iraqi control. For example, the coalition continues to support Iraqi-led operations in those provinces with planning, logistics, close air support, intelligence, and embedded transition teams.

Enacting Key Iraqi Legislation

This section describes progress toward the U.S. goal of helping Iraq enact key legislation that would promote national reconciliation.

Iraq Has Enacted Some Legislation to Promote National Reconciliation, but Critical Laws Are Still Being Debated

To promote national reconciliation and unify the country, the Iraqi government, with U.S. support, committed in 2006 to address political grievances among Iraq's Shi'a, Sunni, and Kurd populations. The U.S. and Iraqi governments believed that fostering reconciliation through political compromise and the passage of legislation, such as reintegrating former Ba'athists and sharing hydrocarbon resources equitably, were essential. In 2007, in *The New Way Forward*, the U.S. government identified legislation that the Iraqi government committed to enact by December 31, 2007.[29] The United States also promoted Iraq's reconciliation by assisting the country in its constitutional referendum and legislative elections and building the capacity of Iraq's legislature.[30]

Since September 2007, the Iraqi government has enacted three laws that could address some Sunni concerns—de-Ba'athification reform, amnesty for certain detainees in Iraq's justice system, and provincial powers. These three laws were enacted after considerable debate and compromise and, according to State and DOD reports, represented positive signs of political progress. De-Ba'athification and amnesty laws are steps to address Sunni and Sadrist concerns that they had been removed from government service or detained and arrested. According to the U.S. ambassador to Iraq, the number of Iraqis currently held in detention is a significant problem. The provincial powers law established a date for new provincial elections, which could address Sunni underrepresentation in several provincial governments.

However, three additional laws considered critical for national reconciliation have not been enacted. These include laws that set the rules for Iraq's provincial elections, define the control and management of Iraq's oil and gas resources, and provide for disarmament and demobilization of Iraq's armed groups. According to U.S. reports, the oil law and law on disarmament and demobilization are stalled.

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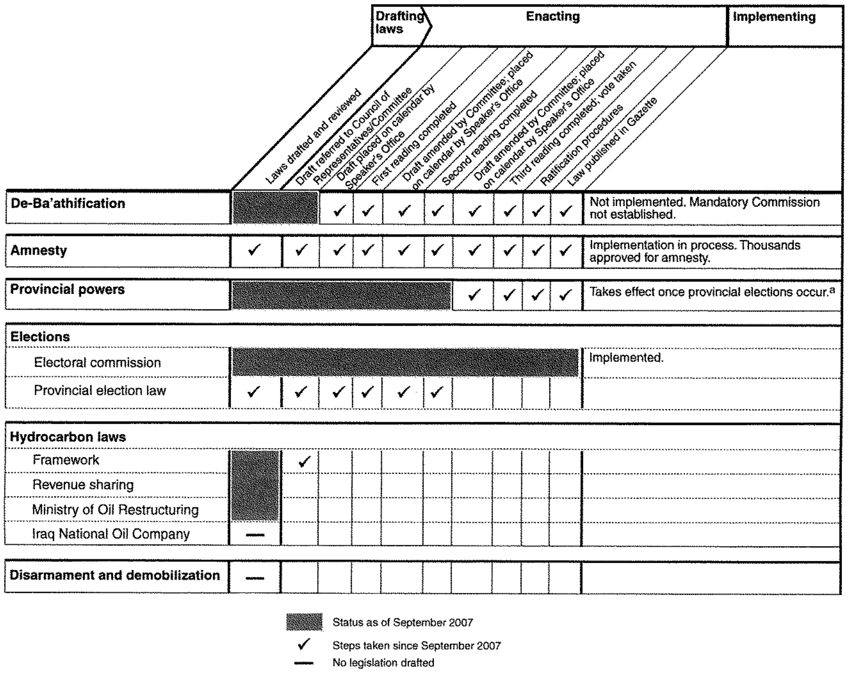
[29] The key legislation identified was supposed to address de-Ba'athification reform, hydrocarbons, semiautonomous regions, elections, amnesty, and militia disarmament, which Iraq's Policy Committee on National Security committed to enacting in September 2006 and the Presidency Council reaffirmed on October 16, 2006. See GAO, *Securing, Stabilizing, and Rebuilding Iraq: Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks,* GAO-07-1195 (Washington, D.C.: Sept. 4, 2007). The Iraqi government committed to enacting most of this legislation in the International Compact for Iraq, which is an initiative of the government of Iraq for a new partnership with the international community. Its purpose is to achieve a national vision for Iraq that aims to consolidate peace and pursue political, economic, and social development over the next 5 years. As part of the International Compact, a legislative timetable set a goal of December 31, 2007, to pass key legislation and conduct a constitutional review.

[30] See GAO, *Rebuilding Iraq: U.S. Assistance for the January 2005 Elections,* GAO-05-932R (Washington, D.C.: Sept. 7, 2005); *Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk,* GAO-08-117 (Washington, D.C: Oct. 1, 2007).

According to U.S. and other officials and documents, although the process is evolving, enacting legislation generally includes the following steps: The Presidency Council and the Council of Ministers have authority to draft laws, and the Iraqi legislature—either a committee or 10 members—has the authority to propose laws. Laws drafted by the Presidency Council or Council of Ministers are reviewed for legal soundness and subject matter by the Shura Council, an institution in the Ministry of Justice. Laws drafted by the legislature must first pass through its Legal Committee. The legislation then proceeds through three readings. The legislation is presented at the first reading. The relevant committee may amend the law, and the Speaker's Office places it on the calendar. After the first reading, the legislature discusses the proposed law at a second reading. At the third reading, a final vote is taken article by article. Laws that receive an affirmative vote are sent to the Presidency Council, which can disapprove the law. The legislature can override the disapproval with a three-fifths majority. This ratification process only applies during the transition period when the Presidency Council is in existence. Final laws are published in the *Official Gazette* and become effective on the date of publication in the *Gazette* unless stipulated otherwise.

Figure 10 shows the law enacted since September 2007, identifies the steps left to enact the remaining legislation, and indicates the status of implementation, which will be discussed in the next section.

Figure 10: Status of Iraqi Legislation to Promote National Reconciliation



	Drafting laws	Enacting									Implementing
	Laws drafted and reviewed	Draft referred to Council of Representatives/Committee	Draft placed on calendar by Speaker's Office	First reading completed	Draft amended by Committee, placed on calendar by Speaker's Office	Second reading completed	Draft amended by Committee; placed on calendar by Speaker's Office	Third reading completed; vote taken	Ratification procedures	Law published in Gazette	
De-Ba'athification	▨	▨	✓	✓	✓	✓	✓	✓	✓	✓	Not implemented. Mandatory Commission not established.
Amnesty	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Implementation in process. Thousands approved for amnesty.
Provincial powers	▨	▨	▨	▨	▨	▨	✓	✓	✓	✓	Takes effect once provincial elections occur.[a]
Elections											
Electoral commission	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	Implemented.
Provincial election law	✓	✓	✓	✓	✓	✓					
Hydrocarbon laws											
Framework	▨	✓									
Revenue sharing	▨										
Ministry of Oil Restructuring	▨										
Iraq National Oil Company	—										
Disarmament and demobilization	—										

▨ Status as of September 2007

✓ Steps taken since September 2007

— No legislation drafted

Source: GAO analysis of Department of State, Department of Defense, UN and Iraqi government data.

[a] The provincial powers law set an October 1, 2008, deadline for holding provincial elections.

Since we last reported on legislation to promote national reconciliation in September 2007, the Iraqi government has passed the following laws.

- As of September 2007, drafts of de-Ba'athification reform legislation were under initial review by the Council of Representatives. After extensive debate, the Iraqi legislature passed the de-Ba'athification reform law on January 12, 2008. The Presidency Council approved the law in February 2008 and it was published in the Official Gazette. According to a March 2008 DOD report, if implemented in the spirit of reconciliation, this law could allow some former Ba'athist party members, many of whom were Sunni, to return to government. The new law establishes a national commission to complete the removal of former high-level officials of the Ba'athist party, consistent with measures outlined in the law. The law, however, allows some lower-ranking members of the Ba'athist party to return to or continue working for the government. In May 2003, Coalition Provisional Authority (CPA) Order 1 provided for investigation and removal of even junior members of the party from government, universities, and hospitals.[31]

- As of September 2007, the Iraqi government had not drafted an amnesty law. After considerable negotiation among the political blocs, the legislation was combined with other pieces of legislation and passed as part of an overall package in February 2008. According to a March 2008 DOD report, the law represents an important step toward addressing a long-standing demand for detainee releases, but the ultimate effect on national reconciliation will depend on its implementation. The law provides for amnesty and release of Iraqis sentenced to prison and those under investigation or trial, provided they are not involved in certain crimes such as kidnapping, murder, embezzling state funds, smuggling antiquities, or terrorism that results in killing or permanently disabling victims. The law also requires the Iraqi government to undertake the necessary measures to transfer those detained in the MNF-I facilities to Iraqi facilities so that the provisions of this law can be applied to them. This law is important to Sunnis and Sadrists, according to State and USIP officials, as many were detained or held without trial.

- As of September 2007, the Iraqi legislature had completed the second reading of a draft of the provincial powers legislation. In February 2008, after considerable negotiation, the Iraqi government passed the provincial powers legislation as part of an overall legislative package and after an initial veto by the Shi'a vice president of the Presidency Council was withdrawn. According to a March 2008 DOD report, the law is an important step toward establishing a balance between adequate central government authority and strong local governments, some of which represent provinces with large or majority Sunni populations. The law outlines the specific powers of the provinces and provides the structure of government for the provincial and local councils. The law also sets the date for provincial council elections as no later than October 1, 2008.

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[31] The CPA was the UN-recognized authority led by the United States and the United Kingdom that was responsible for the temporary governance of Iraq until June 2004.

Other key legislation has not passed, including the provincial elections law, hydrocarbon laws, and disarmament and demobilization.

- As of September 2007, a provincial elections law had not been drafted. Since then, the Prime Minister's Office has drafted a provincial elections law and presented it to the Iraqi legislature, where it has completed its second reading. As of May 2008, the Iraqi legislature is debating its provisions. This draft law would provide the rules for holding provincial elections, which are critical to promote national reconciliation. According to a DOD report, new elections would enhance reconciliation by enabling the creation of provincial councils that are more representative of the populations they serve. Many Sunnis did not vote in the 2005 provincial elections, resulting in underrepresentation of Sunnis in some provincial councils. In Baghdad, for example, the population is about 40 percent Sunni, but the council has 1 Sunni representative out of 51, according to a March 2008 State report.
- As of September 2007, the Iraqi government had drafted three of the four separate but interrelated pieces of legislation needed to establish control and management of Iraq's hydrocarbon resources and ensure equitable distribution of revenues. Since that time, only the hydrocarbon framework draft, which establishes the control and management of the oil sector, has progressed to the Council of Representatives. The three additional laws include legislation to establish revenue sharing, restructure the Ministry of Oil, and establish the Iraqi National Oil Company. According to State officials, the Kurdistan Regional Government (KRG) and the federal government disagree on many areas of the proposed legislation, particularly on the issue of how much control the KRG will have in managing its oil resources. For example, the KRG has passed its own oil and gas law. Furthermore, the KRG has negotiated an estimated 25 contracts with foreign oil firms, which the Iraqi federal government claims are illegal.
- As of September 2007, the Iraqi legislature had not drafted legislation on disarmament and demobilization of militias and armed groups. Since then, no progress has been made on drafting legislation. According to the United Nations, minimum requirements for a successful disarmament and demobilization program in Iraq include a secure environment, the

inclusion of all belligerent parties, an overarching political agreement, sustainable funding, and appropriate reintegration opportunities. As of May 2008, these conditions were not present. For example, the United Nations reported that since March 27, 2008, intense fighting in Sadr City has occurred among militias linked to Muqtada Al Sadr and the Iraqi security forces and MNF-I. According to the Iraqi government, between late March 2008 and the end of April 2008, 925 persons were killed and 2,600 persons injured during the military operation.

Iraqi Government Faces Challenges Implementing Legislation and Outcomes Are Uncertain

Although Iraq has enacted some legislation it judged important for national reconciliation, implementation of the legislation and its outcomes are uncertain. For example, the amnesty legislation is currently being implemented as detainees have been approved for release, but a limited number have been set free as of May 2008. Moreover, implementation of the de-Ba'athification law has stalled, and holding free and fair provincial elections poses logistical and security challenges.

Implementation of the amnesty law began on March 2, 2008. According to the Iraq Higher Juridical Council, as of May 1, 2008, almost 17,000 prisoners and detainees have been approved for release. According to State officials, the law is implemented at the provincial level by committees of provincial judges. These committees are more likely to implement the law, according to State officials, because several are located in provinces with large Sunni populations where many detainees are located. However, according to the U.S. Embassy in Iraq, the process of releasing prisoners and detainees is slow, and, according to State, approximately 1,600 have been released to date. The legislation does not provide a time frame for the approximately 25,000 MNF-I detainees to be turned over to Iraqi custody.

Although the de-Ba'athification law was enacted in February 2008, implementation of the law has stalled, delaying the possible reinstatement of an estimated 30,000 former government employees. The Iraqi government has yet to appoint members of the Supreme National Commission on Accountability and Justice, which has primary responsibility for implementing the law. According to State officials, Sunnis are concerned about the law's implementation and the choice of commissioners.

The Iraqi government faces challenges in holding provincial elections by October 2008, as required by the provincial powers law. According to State officials, a provincial election law has not been enacted and the draft law contains confusing and contentious issues. For example, the draft law states that any political entity that possesses an armed militia is prohibited from participating in the election. According to State, this provision could eliminate some political parties, such as the Sadrist Trend.

According to a UN report and U.S. Agency for International Development (USAID) officials, there are challenges for the Iraqi government to hold these elections by late 2008. UN and IFES reports estimate that it would take about 8 months to prepare for the elections, and State estimates that elections could probably be held 4-5 months after an elections law is passed.[32] Although some elections preparations have begun, numerous tasks remain and some cannot begin until the election rules are set by law. According to USAID and IFES, the tasks remaining included establishing voter registration lists; making voting provisions for internally displaced persons; registering candidates for the councils, including vetting them through the de-Ba'athification process; designing and printing ballots; identifying polling sites; and providing time for the candidates to campaign in their districts.

According to U.S. officials, holding provincial elections will face security challenges due to likely sectarian violence, insurgent attacks, and political party militias. Elections in several areas may be fiercely contested as militias and sectarian groups may fight for control of the provincial councils and their financial resources, according to State and USAID officials. State and USAID officials said MNF-I is working with the Iraqi government to help provide support for the election.[33]

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[32] IFES, formally known as the International Foundation for Electoral Systems, is an international election assistance organization. In Iraq's 2005 elections, IFES provided election assistance to the Iraqi government. IFES is also providing support for Iraq's upcoming provincial elections.

[33] GAO-05-932R.

Iraq Has Made Little Progress in Completing the Constitutional Review Process

Iraq's Constitution was approved in a national referendum in October 2005, but did not resolve several contentious issues, including the powers of the presidency, claims over disputed areas such as oil-rich Kirkuk, and the relative powers of the regions versus the federal government.[34] According to State officials, these unresolved issues were core points of dispute among Iraq's Shi'a, Sunni, and Kurd political blocs. According to the United Nations, Iraqi leaders included a compromise provision in the draft constitution that required the formation of the Constitutional Review Committee (CRC) to review the Constitution and propose necessary amendments. Since September 2007, the constitutional review process has made little progress. The CRC recommended a draft package of amendments to the Council of Representatives in May 2007, but these have not moved forward. Since then, the CRC has received multiple extensions to complete its work, but has not proposed a new package of amendments. According to a March 2008 DOD report, Kurdish leaders have prevented progress in the review process until the issue of disputed territories, especially Kirkuk, is settled.

The following summarizes three key issues in the Constitution that have not been resolved.

- *Power of the presidency.* The Deputy Chairman of the CRC, a member of the Sunni bloc, believes that the Presidency Council should have greater power in relation to the prime minister to allow for better power sharing among Iraq's political groups. According to the Iraqi Constitution, in the current electoral term, a presidency council consisting of a president and 2 vice-presidents exercises the powers of the presidency. The Presidency Council—currently a Shi'a, a Sunni, and a Kurd—can approve or disapprove legislation in the current electoral term.[35] However, the legislature can adopt disapproved legislation by a three-fifths majority vote. On the other hand, the prime minister, selected from the legislature's largest political bloc and currently a Shi'a, is commander-in-chief of the armed forces, names the ministers for each ministry, and directs the Council of Ministers, which directs the work of all government ministries and departments, develops their plans, and prepares the government budget.

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[34] The constitutional review process consists of the following: (1) the Council of Representatives forms a review committee, which presents to the council a report on recommendations of necessary amendments that could be made to the Constitution; (2) the proposed amendments shall be presented to the council all at once for a vote and are approved with the agreement of an absolute majority of the members of the council; and (3) the articles amended by the council shall be presented to the people in a referendum within 2 months from the date of approval by the council. The referendum will be successful if approved by the majority of voters and if not rejected by two-thirds of the voters in three or more governorates.

[35] If these constitutional provisions are not amended, at the start of the next electoral term, power will revert to a single president and the power to approve and disapprove legislation that is explicitly granted to the Presidency Council will lapse. The president will then have the power to ratify and issue laws passed by the legislature, although such laws are considered ratified 15 days after the president receives them.

- *Disputed areas, particularly Kirkuk.* Kurdistan Regional Government officials want a referendum to be held in Kirkuk to determine its status. Even though the deadline for holding the referendum was December 31, 2007, the KRG and the Iraqi government agreed to a 6-month extension on implementation. While KRG officials wanted a referendum to be held as soon as practical, other Iraqi legislators believe that a referendum should be deferred due to border disputes and displacement of people in the area. The United Nations is currently consulting with various groups about the status of other disputed territories, such as the districts of Akre and Makhmour currently in Ninewa province. According to the UN, there is no agreed upon listing of disputed areas and their boundaries. If these discussions succeed, it could be a model for determining the status of Kirkuk, according to the UN.
- *Power of the federal government versus regions.* Shi'a, Sunni, and Kurdish political blocs disagree over fundamental questions of federalism—relative power among the federal, regional, and provincial governments. The CRC proposed several amendments to better define and clarify the relative powers but has not achieved compromise among major political factions. The Kurdish bloc rejected the proposed changes, stating it would decrease regional power while concentrating power in the federal government.

Spending Capital Budgets

This section discusses Iraq's progress toward spending its capital budget and U.S. efforts to improve Iraqi budget execution.

Iraq Has Made Little Progress Spending Capital Investment Budgets

The New Way Forward emphasized the need to build capacity in Iraq's ministries and help the government execute its capital investment budgets. This U.S. goal is particularly important as current U.S. expenditures on Iraq reconstruction projects are nearing completion. However, Iraq continues to spend small percentages of its capital investment budgets[36] needed to improve economic growth. Iraq's inability to spend its considerable resources limits the government's efforts to further economic development, advance reconstruction projects, and, at the most basic level, deliver essential services to the Iraqi people. In recognition of this critical need, U.S. capacity development efforts have shifted from long-term institution-building projects to an immediate effort to help Iraqi ministries overcome their inability to spend their capital investment budgets. As U.S. funding for Iraq reconstruction totaling $45 billion is almost 90 percent obligated ($40 billion) and about 70 percent disbursed ($31 billion) as of April 2008, the need for Iraq to spend its own resources becomes increasingly critical to economic development.

Between 2005 and 2007, Iraq budgeted about $27 billion in capital investments for its own reconstruction effort, as shown in table 3. However, the government spent about 24 percent of the amount budgeted. According to Ministry of Finance total expenditure reports displayed in figure 11, Iraq has spent low percentages of capital investment budgets between 2005 and 2007 in several key categories. Total government spending for capital investments increased slightly from 23 percent in 2005 to 28 percent in 2007. However, Iraq's central ministries spent only 11 percent of their capital investment budgets in 2007—a decline from similarly low spending rates of 14 and 13 percent in 2005 and 2006, respectively. Last, spending rates for ministries critical to the delivery of essential services varied from the 41 percent spent by the Water Resources Ministry in 2007 to the less than 1 percent spent by the Ministries of Oil and Electricity.

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[36] We use "investment budgets" here to refer to budgets for capital goods and capital projects. To comply with new International Monetary Fund (IMF) budget classification requirements, beginning in 2007, the Iraqi government began combining expenditures for capital goods and capital projects under the heading of "nonfinancial assets," which we refer to as investment. Capital projects represent almost 90 percent of the Iraq investment budget.

Table 3: Iraq Investment Budget and Expenditures, 2005-2007

Dollars in millions

	2005		2006		2007		Total 2005-2007	
	Budget	Expend.	Budget	Expend.	Budget	Expend.	Budget	Expend.
Total Government[a]	6,316	1,432	8,312	1,615	12,168	3,435	**26,796**	**6,482**
Central Government Ministries[b]	5,720	825	7,688	1,003	8,086	896	**21,494**	**2,724**
Selected Ministries								
Water Resources	184	120	200	91	262	109	**646**	**320**
Oil	3,001	111	3,106	143	2,383	0.8	**8,491**	**254**
Electricity	297	142	1,167	268	1,389	0.8	**2,853**	**411**

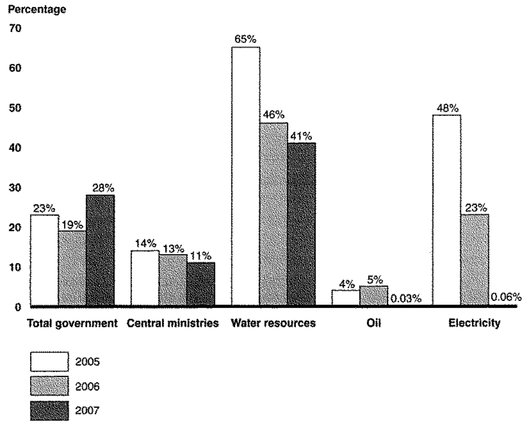
Source: GAO analysis of Ministry of Finance data.

Note: The 2005-2007 time frame represents fiscal year spending for January through December.

[a] The total government budget includes the central government ministries, provinces and Kurdistan region.

[b] The central government ministries include the ministries of oil, water, oil, electricity, public works, health, housing and construction, and other spending units.

Figure 11: Iraqi Budget Execution Ratios for Total Government and Selected Ministries, 2005 to 2007



Source: GAO analysis of official Ministry of Finance budget and expenditure data.

As discussed in the next section, low spending rates for the oil, electricity, and water sectors are problematic since U.S. investments in these sectors have ended and increased production goals for these sectors have consistently not been met. Iraq will have additional resources for capital investments in 2008. Iraq's 2008 budget was developed with the assumption that Iraq would receive $57 per barrel for oil exports. As of May 2008, Iraqi crude oil was selling at about $104 per barrel. Oil exports generate about 90 percent of total government revenues each year. GAO will issue a separate report on Iraq's estimated unspent and projected oil revenues for 2003 through 2008.

Iraqi Special Reports Show High Budget Execution Rates

In March 2008,[37] DOD reported that preliminary Iraqi budget execution data for the period January to October 2007 show that the government spent 45 percent of its capital budget, and central ministries executed 47 percent of their capital budgets. Further, in commenting on a draft of this report, the Treasury Department stated that the Iraqi government spent and committed about 63 percent of its investment budget in 2007, as documented in special reports developed by the Ministry of Finance. The special reports include Iraqi commitments to spend as well as actual expenditures. "Commitments" is defined under Iraq's Financial Management Law, as "an undertaking to make an expenditure following the conclusion of a binding agreement that will result in payment." We did not use the special reports for our analyses for two reasons: (1) Treasury Department officials stated in our meetings with them that the special reports contain unreliable data, and (2) the special reports do not define commitments, measure them, or describe how or when these commitments would result in actual expenditures. In addition, our reviews of these special reports show inconsistent use of poorly defined budget terms, as well as columns and rows that do not add up.

In addition, we note that the Iraqi government operates on a cash basis in which expenditures are reported when paid. Commitments, such as signed contracts, would normally not be included in expenditures until paid. Given the security and capacity challenges currently facing Iraq, many committed contracts may not be executed and would not result in actual expenditures, according to U.S. agency officials.

Iraq Faces Many Challenges in Attempting to Spend Its Capital Investment Budgets

U.S. government, coalition, and international agencies have identified a number of factors that challenge the Iraqi government's efforts to fully spend its budget for capital projects. These challenges include violence and sectarian strife, a shortage of trained staff, and weak procurement and budgeting systems.

First, U.S., coalition, and international officials have noted that violence and sectarian strife remain major obstacles to developing Iraqi government capacity, including its ability to execute budgets for capital projects. The high level of violence has contributed to a decrease in the number of workers available and can increase the amount of time needed to plan and complete capital projects. The security situation also hinders U.S. advisors' ability to provide the ministries with assistance and monitor capital project performance.

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[37] DOD, *Measuring Stability and Security in Iraq: Report to Congress in Accordance with the Department of Defense Appropriations Act 2008, Section 9010, Public Law 109-289* (Washington, D.C.: March 2008).

Second, U.S., coalition, and international agency officials have observed the relative shortage of trained budgetary, procurement, and other staff with technical skills as a factor limiting the Iraqi government's ability to plan and execute its capital spending. The security situation and the de-Ba'athification process have adversely affected available government and contractor staffing. Officials report a shortage of trained staff with budgetary experience to prepare and execute budgets and a shortage of staff with procurement expertise to solicit, award, and oversee capital projects. According to State and other U.S. government reports and officials, there has been decay for years in core functions of Iraqi's government capacity, including both financial and human resource management.

Finally, weak procurement, budgetary, and accounting systems are of particular concern in Iraq because these systems must balance efficient execution of capital projects while protecting against reported widespread corruption. A World Bank report notes that corruption undermines the Iraqi government's ability to make effective use of current reconstruction assistance.[38] According to a State Department document, widespread corruption undermines efforts to develop the government's capacity by robbing it of needed resources; by eroding popular faith in democratic institutions, perceived as run by corrupt political elites; and by spurring capital flight and reducing economic growth.

Efforts Are Under Way to Improve Iraqi Budget Execution

In early 2007, U.S. agencies increased the focus of their assistance efforts on improving the Iraqi government's ability to effectively execute its budget for capital projects, although it is not clear what impact this increased focus has had, given the relatively low rates of spending. The new U.S. initiatives included greater coordination between the U.S. embassy and an Iraqi task force on budget execution, and the provision of subject matter experts to help the government track expenditures and provide technical assistance with procurement. According to U.S. officials, these targeted efforts also reflect an increased interest of senior Iraqi officials in improving capital budget spending. In addition, improving Iraqi government budget execution is part of a broader U.S. assistance effort to improve the capacity of the Iraqi government through automation of the financial management system, training, and advisors embedded with ministries.

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[38] World Bank, *Rebuilding Iraq: Economic Reform and Transition* (February 2006).

As we reported in October 2007, the development of competent and loyal Iraqi ministries is critical to stabilizing and rebuilding Iraq.[39] In 2005 and 2006, the United States provided funding of about $169 million for programs to help build the capacity of key civilian ministries and the Ministries of Defense and Interior. As part of *The New Way Forward*, the Administration sought an additional $395 million for these efforts in fiscal years 2007 and 2008. Ministry capacity development refers to efforts and programs to advise and help Iraqi government employees develop the skills to plan programs, execute their budgets, and effectively deliver government services such as electricity, water, and security. We found multiple U.S. agencies leading individual efforts and recommended that Congress consider conditioning future appropriations on the completion of an integrated strategy for U.S. capacity development efforts.

In commenting on a draft of this report, the State Department reiterated prior comments that it already had an integrated plan for building capacity in Iraq's ministries. In addition, State and Treasury cited a new Public Financial Management Action Group they were forming to help integrate and coordinate U.S. government assistance on improving budget execution. Adding a new program to the uncoordinated and multiple U.S. capacity development programs we found does little to address GAO's recommendation for an integrated strategy.

The government of Iraq also has made recent efforts to address impediments to budget execution. For example, State reported in May 2008 that the Council of Ministers recently approved new regulations to lift the ceiling on the amounts ministerial contracting committees can approve. Committees in the ministries of Defense, Interior, Oil, Trade, Health, Electricity, Industry and Minerals, Water Resources, and Municipalities can now approve contracts up to $50 million. This represents a $30 million increase for Defense, Oil, Electricity and Trade and a $10 million increase for the other ministries. A newly formed Central

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[39] GAO-08-117.

Contracts Committee will approve contracts exceeding the $50 million limit.

Delivering Essential Services

This section discusses the extent to which key U.S. goals for oil, electricity, and water production have been met.

Crude Oil Output Has Consistently Fallen below U.S. Goals

Providing essential services to all Iraqi areas and communities and helping Iraq maintain and expand its oil export are key goals of *The New Way Forward*. The oil sector is critical to Iraq's economy, accounting for over half of Iraq's gross domestic product and about 90 percent of its revenues. Iraq's crude oil reserves, estimated at a total of 115 billion barrels, are the third largest in the world. After 5 years of effort and $2.7 billion in U.S. reconstruction funds, Iraqi crude oil output has improved for short periods but has consistently fallen below the U.S. goals of reaching an average crude oil production capacity of 3 million barrels per day and export levels of 2.2 mbpd[40] (see figure 12).

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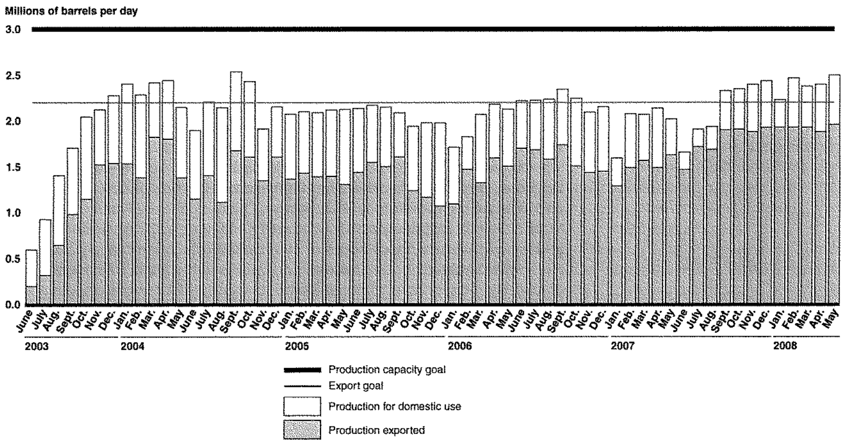
[40] In August 2003, the CPA established a U.S. program goal to increase oil production to about 1.3 million barrels per day. The CPA increased this goal every 2 to 3 months until July 2004, when the goal became to increase crude oil production capacity to 3 million barrels per day. The State Department also set an eventual crude oil production goal of 2.8 million barrels per day in March 2006. Production capacity differs from actual production. Production capacity is the maximum amount of production a country can maintain over a period of time. Since Iraq has been trying to increase its production of crude oil, we use actual production as an indicator of Iraq's production capacity. For example, EIA has defined production capacity as the maximum amount of production that (1) could be brought online within 30 days and (2) sustained for at least 90 days. Since Iraq has been trying to increase its production of crude oil, we use actual production as an indicator of Iraq's production capacity in this report.

Figure 12: Iraq's Reported Crude Oil Production, Exports, and U.S. Goals, June 2003 through May 2008



Source: GAO analysis of Iraq Ministry of Oil data collected by State Department.

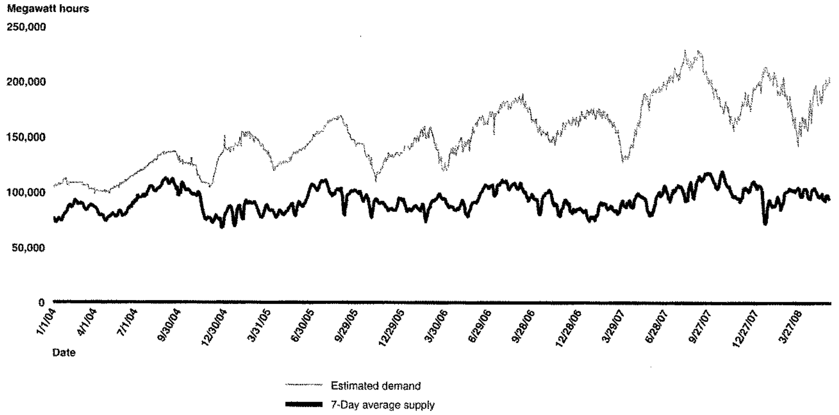
In May 2008, crude oil production was 2.5 million barrels per day and exports were 1.96 million barrels per day, according to the State Department. Poor security, corruption and smuggling continue to impede the reconstruction of Iraq's oil sector. For example, according to State Department officials and reports, as of 2006, about 10 to 30 percent of refined fuels was being diverted to the black market or smuggled out of Iraq and sold for a profit. According to DOD, investment in Iraq's oil sector is below the absolute minimum required to sustain current production and additional foreign and private investment is needed. U.S. officials and industry experts have stated that Iraq would need an estimated $20 billion to $30 billion over the next several years to reach and sustain a crude oil production capacity of 5 mbpd. This production goal is below the level identified in the 2005-2007 National Development Strategy—at least 6 mbpd by 2015.

Electricity Generation Continues to Fall Short of Demand

Since 2003, the United States has provided $4.7 billion to the reconstruction of Iraq's electricity sector. Despite this substantial investment, electricity generation did not consistently achieve past U.S. goals and demand continues to outpace supply from Iraq's national grid (see fig. 13). For example, a recent State Department report shows that for June 3 to 9, the daily supply of electricity from the grid met only 52 percent of demand. In addition, average hours of electricity were 7.8 hours in Baghdad and 10.2 hours nationwide, compared to the U.S. 2006 goal of 12 hours of daily electricity and the Iraqi Ministry of Electricity goal of 24 hours. State Department's technical comments on a draft of this report stated that it is well-documented that in parts of Iraq, and even in parts of Baghdad, on a given day there are upwards of 16 hours of power a day; and in some locations there is 24 hours of power. We analyzed data from State's weekly status reports for the period January 3, 2008 to June 4, 2008 and found that number of hours of electricity in Baghdad ranged from 6.5 to 12 and averaged about 8 hours per day. For other parts of Iraq, hours of electricity ranged from 8.2 to 14.3 with an average 10.2 hours per day. According to DOD, the electricity sector suffers from several problems, including fuel shortages, interdictions, damage to power lines, reliance on foreign sources of power, and prior years of neglect.

Between 2004 and 2006, the United States reported electricity generation goals that ranged from 110,000 megawatt hours (mwh) to 127,000 mwh. However, since 2007 the United States has stopped setting metric goals for the electricity sector. According to both the U.S. Embassy's 2007 Electrical Action Plan and the 2008 Transition Plan, the U.S. goal is to "provide electricity in a reliable and efficient manner to as many Iraqi citizens as possible, and for as many hours as possible." According to a State Department official, the United States no longer sets metric goals for the entire electricity sector because U.S. projects only constitute a portion of the electricity sector. Moreover, the senior electricity advisor stated that there are too many variables that may affect any projections.

Figure 13: Daily Electricity Supplied and Estimated Demand in Iraq, January 2004 through May 2008



Source: Department of State.

The Ministry of Electricity estimated in its 2006-2015 plan that the government will need $27 billion over 6 to 10 years to reach its goal of providing reliable electricity across Iraq by 2015. The ministry's goal is to achieve 24 hours of power nationwide and meet demand plus 10 percent.

Iraq Needs an Integrated Energy Plan

As we reported in May 2007,[41] a variety of security, corruption, legal, planning, and sustainment challenges have impeded U.S. and Iraqi efforts to restore Iraq's oil and electricity sectors. These challenges have made it difficult to achieve the current crude oil production and export goals that are central to Iraq's government revenues and economic development. In the electricity sector, these challenges have made it difficult to achieve a reliable Iraqi electrical grid that provides power to all other infrastructure sectors and promotes economic activity.

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[41] GAO, *Rebuilding Iraq: Integrated Strategic Plan Needed to Help Restore Iraq's Oil and Electricity Sectors,* GAO-07-677 (Washington, D.C.: May 15, 2007).

Although the oil and electricity sectors are mutually dependent, the Iraqi government lacks integrated planning for these sectors leading to inefficiencies that could hinder future rebuilding efforts. Specifically, the Iraqi government lacks an integrated energy plan that clearly identifies future costs and resource needs; rebuilding goals, objectives, and priorities; stakeholder roles and responsibilities, including steps to ensure coordination of ministerial and donor efforts; an assessment of the environmental risks and threats; and performance measures and milestones to monitor and gauge progress. For example, the lack of cooperation and coordination between the Oil and Electricity ministries, particularly in supplying appropriate fuels to the electricity sector, has resulted in inefficiencies such as increased maintenance costs and frequent interruptions in electricity production, according to U.S. officials.

We recommended that the Secretary of State, in conjunction with relevant U.S. agencies and in coordination with the donor community, work with the Iraqi government to develop an integrated energy strategy for the oil and electricity sectors that identifies, among other items, key goals and priorities, future funding needs, and steps for enhancing ministerial coordination. In a May 2008 letter, the MNF-I Commanding General asked the Iraqi Prime Minister to establish a ministerial-level oversight committee to develop an Iraqi National Energy Strategy. In commenting on a draft of this report, the State Department indicated that it was encouraging the Iraqi government to develop an integrated energy strategy.

United States Is Close to Meeting Goals for Its Water Sector Programs, but Need for Clean Water Is Still Unmet

Unsafe drinking water can carry diseases such as cholera, typhoid, and dysentery. Since April 2006, U.S. reconstruction projects have focused on producing enough clean water to reach up to an additional 8.5 million Iraqis.[42] As of March 2008, U.S.-funded projects had the capacity to provide an additional 8 million Iraqis with potable water. The World Bank has estimated that $14.4 billion is needed to rebuild the public works and water system in Iraq; the U.S. government has allocated about $2.4 billion for improvements in the water and sanitation sector.[43]

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[42] State developed this metric in response to our 2005 recommendation that it improve its metrics for measuring U.S. projects' contribution to improving Iraqis' water service. See GAO, *Rebuilding Iraq: U.S. Water and Sanitation Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaining Facilities*, GAO-05-872 (Washington, D.C.: Sept. 7, 2005).

According to the UN Office for the Coordination of Humanitarian Affairs, insecurity, population displacement, and a lack of maintenance are placing pressure on existing water and sanitation facilities, leaving a large number of Iraqis either without water or with access to water that puts them increasingly at risk of water borne diseases. According to the United Nations Children's Fund (UNICEF), only one in three Iraqi children under the age of 5 has access to safe drinking water, and only 17 percent of Iraq's sewage is treated before being discharged into the country's rivers and waterways. A UNICEF 2006 survey that measured the reliability of water supplies indicated widespread infrastructure problems. For example, although 79 percent of Iraqis reported having access to an improved drinking water source, this figure does not reflect the condition and reliability of services. Nearly half of those with access to water sources reported problems with their water service, with 21 percent of this population reporting problems on a daily basis. In addition, only 43 percent of rural residents reported having access to an improved drinking water source.

Monitoring progress toward increasing Iraqis' access to clean water is complicated by several factors. As we reported in 2005 and recently confirmed with the State Department, Iraq has no metering for water usage and no measurement of the quality of the potable water supply. Moreover, State lacks comprehensive and reliable data on the capacity of water treatment and sewage facilities that have not been constructed or rehabilitated by U.S.-funded projects. Finally, as we reported in 2005 and as noted in recent U.S. government and UN reports, not all facilities may be operating as intended due to looting, unreliable electricity, inadequate supplies, or the lack of trained personnel.

U.S. Efforts to Update Strategies to Stabilize and Rebuild Iraq

According to State and DOD officials, as of late May 2008, the Administration has not revised its prior Iraq strategy document (NSVI) to include U.S. goals and objectives for *The New Way Forward,* which ends in July 2008, or the phase that follows. Instead, according to State and

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[43] In addition to potable water and sewage treatment, U.S. efforts in the sector include projects for pumping stations, irrigation, and drainage as well as equipment for the Mosul dam.

DOD officials, future U.S. goals and objectives in Iraq are contained in the following documents:

- the President's September 13, 2007, address on "the way forward" in Iraq;
- the President's April 10, 2008, address on Iraq;
- *Fact Sheet: The Way Forward in Iraq*, April 10, 2008; and
- the testimony of the Secretary of Defense, April 10, 2008.[44]

These documents clearly state the importance the Administration places on continued U.S. involvement in and support for Iraq. They also discuss the ongoing drawdown of U.S. troops in Iraq that will end in July 2008 and generally describe the U.S. military transition that would occur in Iraq over an unspecified period of time in the future.[45] The Secretary of Defense's testimony defined the desired U.S. end state for Iraq as (1) a unified, democratic, and federal Iraq that can govern, defend, and sustain itself; (2) an Iraq that is an ally against Jihadist terrorism and a net contributor to security in the gulf; and (3) an Iraq that helps bridge the sectarian divides in the Middle East. The documents, however, do not specify the administration's strategic goals and objectives in Iraq for the phase after July 2008 or how it intends to achieve them. Further, while they predict continued progress in the security, political, and economic areas, they do not address the remaining challenges to achieving either unmet U.S. goals and objectives or the desired U.S. end state for Iraq.

A clear statement about the U.S. military transition and remaining challenges is important, as the UN mandate for the multinational force in Iraq, under Security Resolution 1790, expires December 31, 2008. This resolution reaffirmed MNF-I's authority to take all necessary measures to maintain security and stability in Iraq. The United States and Iraq are negotiating a status of forces agreement to provide the United States and its coalition partners with the authorities necessary to conduct operations to support the Iraqi government after the UN mandate ends.

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[44] DOD also identified the testimonies of the current and prospective Commanding Generals of MNF-I, May 22, 2008, as articulating future U.S. goals and objectives. However, DOD did not provide official written statements for either officer's testimony.

[45] The U.S. military would continue to (1) conduct combat operations; (2) train, equip, and support Iraqi security forces; (3) transfer security responsibilities to them as provinces become ready; and (4) over time move into an overwatch role. In this role, U.S. forces would increasingly focus on targeted raids against the terrorists and extremists, continue to train Iraqi forces, and be available to help Iraq's security forces if required.

In May 2008, the State Department reported that the MNF-I/U.S. Embassy Joint Campaign Plan provides a road map for the future.[46] This campaign plan is classified. To reflect changing U.S. goals and conditions in Iraq, MNF-I and the U.S. embassy in Baghdad revised their Joint Campaign Plan in July 2007. At the President's direction, they updated it in November 2007 to reflect the decision to withdraw the surge forces by July 2008—the end of *The New Way Forward*. According to the May 2008 State Department report, the Joint Campaign Plan supports the implementation of U.S. efforts in Iraq along four lines of operation: political, security, economic, and diplomatic. The plan recognizes the importance of enhancing security and protecting the Iraqi population and of advancing the political line of operation to help Iraqis establish legitimate, representative governance in their country at both the national and provincial levels.

However, a campaign plan is an operational, not a strategic plan, according DOD's doctrine for joint operation planning.[47] A campaign plan must rely on strategic guidance from national authorities for its development. For example, the April 2006 MNF-I/U.S. embassy Baghdad Joint Campaign Plan relied on the NSC's prior strategic plan, the *National Strategy for Victory in Iraq*, as a basis for the plan's development.[48]

Activities at the strategic level include establishing national and multinational military objectives, as well as defining limits and assessing risks for the use of military and other instruments of national power. In contrast, a campaign plan is developed at the operational level. Activities at this level link tactics and strategy by establishing operational objectives needed to achieve strategic objectives, sequencing events to achieve the operational objectives, initiating actions, and applying resources to bring about and sustain these events. The development of a campaign plan, according to doctrine, should be based on suitable and feasible national strategic objectives formulated by the President, the Secretary of Defense, and the Chairman of the Joint Chiefs of Staff—with appropriate consultation with additional NSC members, other U.S. government agencies, and multinational partners. Doctrine states that in developing operational plans, commanders and their staffs must be continuously aware of the higher-level objectives. According to DOD doctrine, if operational objectives are not linked to strategic objectives, tactical considerations can begin to drive the overall strategy at cross-purposes.

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[46] State Department, *Report to Congress: Submitted Pursuant to U.S. Policy in Iraq Act, Section 1227(c) of the National Defense Authorization Act for Fiscal Year 2006 (PL 109-163), as amended by Section 1223 of the National Defense Authorization Act for Fiscal Year 2008 (P.L. 110-181);* May 2008.

[47] DOD, *Joint Publication 5-0: Joint Operation Planning*, Dec. 26, 2006.

[48] GAO-06-788.

Joint doctrine also states that effective planning cannot occur without a clear understanding of the end state and the conditions that must exist to end military operations and draw down forces. According to doctrine, a campaign plan should provide an estimate of the time and forces required to reach the conditions for mission success or termination. Our review of the classified Joint Campaign Plan, however, identified limitations in these areas, which are discussed in a classified GAO report accompanying this report.[49]

Weaknesses in "the way forward" and the Joint Campaign Plan are symptomatic of recurring weaknesses in past U.S. strategic planning efforts. Our prior reports assessing (1) the National Strategy for Victory in Iraq, (2) U.S. efforts to develop the capacity of Iraq's ministries, and (3) U.S. and Iraqi efforts to rebuild Iraq's energy sector found strategies that lacked clear purpose, scope, roles and responsibilities, and performance measures.[50] For example, we found that the NSVI only partially identified the agencies responsible for implementing the strategy, the current and future costs, and Iraq's contributions to future needs. Although multiple U.S. agencies have programs to develop the capacity of Iraqi ministries, U.S. efforts lack an integrated strategy. Finally, although the United States has spent billions of dollars to rebuild Iraq's oil and electricity sectors, Iraq lacks an integrated strategic plan for the energy sector. We recommended that the National Security Council, DOD, and State complete a strategic plan for Iraq and that State work with the Iraqi government to develop integrated strategic plans for ministry capacity development and the energy sector. Clear strategies are needed to guide U.S. efforts, manage risk, and identify needed resources.

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[49] GAO-08-700C.

[50] GAO-06-788, GAO-07-677, and GAO-08-117.

Conclusion

Since 2003, the United States has developed and revised multiple strategies to address security and reconstruction needs in Iraq. The current strategy—*The New Way Forward*—responds to failures in prior plans that prematurely transferred security responsibilities to Iraqi forces or belatedly responded to growing sectarian violence. The United States has made some progress in achieving key goals stated in *The New Way Forward*, but progress is fragile and unmet goals and challenges remain:

- Violence has declined from the high levels of 2006 and early 2007, largely the result of an increase in U.S. combat forces, the creation of nongovernmental security forces, and the Mahdi Army's cease fire. However, the security environment remains volatile and dangerous.
- The number of trained and equipped Iraqi security forces is approaching one-half million. However, the number of Iraqi units capable of performing operations without U.S. assistance has remained about 10 percent. Efforts to turn security responsibilities over to Iraqi forces remain a continuing challenge.
- The Iraqi government has passed key legislation to return some Ba'athists to government, give amnesty to detained Iraqis, and define provincial powers. However, it has not enacted other important legislation for sharing oil resources or holding provincial elections, and its efforts to complete a constitutional review have stalled.
- Finally, Iraq has not followed through on commitments to spend more money on its own reconstruction efforts. Low spending rates for the critical oil, electricity, and water sectors are problematic since U.S. investments have ended and increased production goals for these sectors have not been met.

Recommendation for Executive Action

As *The New Way Forward* and the military surge end in July 2008, and given weaknesses in current DOD and State plans, an updated strategy is needed for how the United States will help Iraq achieve key security, legislative, and economic goals. Accordingly, we recommend that DOD and State, in conjunction with relevant U.S. agencies, develop an updated strategy for Iraq that defines U.S. goals and objectives after July 2008 and addresses the long-term goal of achieving an Iraq that can govern, defend, and sustain itself. This strategy should build on recent security and legislative gains, address the remaining unmet goals and challenges for the near and long term, clearly articulate goals, objectives, roles and responsibilities, and the resources needed and address prior GAO recommendations.

Agency Comments and Our Evaluation

We provided a draft of this report to the Departments of State, Treasury and Defense for their comments. Their comments are provided in Appendices III through V. The agencies also provided technical comments that we have incorporated in the report, where appropriate.

The State Department disagreed with our recommendation to develop an updated strategic plan stating that while the military surge ends, the strategic goals of *The New Way Forward* remain largely unchanged. Similarly, DOD did not concur with our recommendation stating that *The New Way Forward* strategy remains valid. However, the departments stated they shall review and refine the strategy as necessary. In addition, DOD stated that the MNFI-U.S. Embassy Joint Campaign Plan is a comprehensive, government wide plan that guides the effort to achieve an Iraq that can govern, defend and sustain itself. We reaffirm the need for an updated strategy for several reasons.

First, much has changed in Iraq since January 2007, including some of the assumptions upon which the New Way Forward was based. Specifically:

- Violence in Iraq is down but U.S. surge forces are leaving and over 100,000 armed Sons of Iraq remain.
- Late 2007 target dates for the government of Iraq to pass key legislation and assume control over local security have passed.
- The United States is currently negotiating a status of forces agreement with Iraq to replace UN Security Council Resolutions.
- The Secretary of Defense recently articulated a new long term goal for Iraq—an Iraq that helps bridge sectarian divides in the Middle East.

Second, *The New Way Forward* is an incomplete strategic plan because it articulates goals and objectives for only the near-term phase that ends in July 2008. Third, the goals and objectives of *The New Way Forward* and the phase that follows it are contained in disparate documents such as Presidential speeches, White House fact sheets, and an NSC power point presentation, rather than in a strategic planning document similar to the National Strategy for Victory in Iraq, the prior U.S. strategy for Iraq. Fourth, the limited documents that describe the phase after July 2008 do not specify the administration's long term strategic goals and objectives in Iraq or how to achieve them.

Furthermore, the classified Joint Campaign Plan is not a strategic plan; it is an operational plan with significant limitations that we discuss in a separate, classified report that accompanies this report.

The Treasury Department stated that the our draft report dismissed the significance of the increase in Iraq's budgetary "commitments", stating that GAO's analyses relied only on Iraqi Ministry of Finance's total expenditure reports rather than the Ministry's special capital reports. The latter report includes budgetary "commitments." Iraq has stated that it has spent and committed about 63 percent of its investment budget. We did not use the special reports in our analyses for two reasons: (1) Treasury Department officials stated that the special reports contained unreliable data, and (2) the reports do not define commitments, measure them or describe how or when these commitments would result in actual expenditures. In addition, our reviews of these special reports show inconsistent use of poorly defined budgetary terms, as well as columns and rows that did not add up.

We are sending copies of this report to interested congressional committees. We will also make copies available to others on request. In addition, this report is available on GAO's Web site at http://www.gao.gov.

If you or your staffs have any questions about this report, please contact Joseph A. Christoff, Director, International Affairs and Trade, at (202) 512-8979 or christoffj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix IV.

Gene L. Dodaro

Gene L. Dodaro
Acting Comptroller General of the United States

List of Congressional Committees

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Chair
The Honorable John McCain
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United States Senate

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Appendix I: Objectives, Scope, and Methodology

In this report, we discuss progress in meeting key U.S. goals outlined in *The New Way Forward*, specifically, (1) improving security conditions; (2) developing Iraqi security forces' capabilities and transferring security responsibilities to the Iraqi government; (3) facilitating Iraqi government efforts to draft, enact, and implement key legislative initiatives; (4) assisting Iraqi government efforts to spend budgets; and (5) helping the Iraqi government provide key essential services to its people. *The New Way Forward* established goals to achieve over 12 to 18 months, or by July 2008.

To complete this work, we reviewed U.S. agency documents or interviewed officials from the Departments of Defense, State, and the Treasury; the Multi-national Force-Iraq (MNF-I) and its subordinate commands; the Defense Intelligence Agency; the National Intelligence Council; and the United Nations. We also reviewed translated copies of Iraqi government documents. In support of this work, we extensively utilized information collected by GAO staff assigned to the U.S. embassy in Baghdad from January through March 2008. We provided drafts of the report to the relevant U.S. agencies for review and comment. We received formal written comments from the Departments of State, the Treasury, and Defense, which are included in appendixes III, IV, and V, respectively.

We conducted this performance audit from March through June 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

To provide information on the evolution of the U.S. strategy for Iraq, we relied extensively on prior GAO reports and updated information on the current strategy. To identify the U.S. strategy documents for *The New Way Forward* and the phase that followed it, we obtained information from State and DOD officials. These officials informed us that the administration did not revise the National Strategy for Victory in Iraq strategy document when it changed its Iraq strategy in January 2007. A number of documents outline the goals and objectives of *The New Way Forward*: (1) National Security Council, *Highlights of the Iraq Strategy Review*, January 2007; (2) the President's address to the nation, January 10, 2007; (3) *Fact Sheet: New Way Forward in Iraq*, January 10, 2007; (4) Office of the Press Secretary, White House, *Background Briefing by*

Senior Administration Officials, January 10, 2007; and (5) the July and November 2007 MNF-I/U.S. Embassy Baghdad Joint Campaign Plans. For the goals and objectives of the phase that follows The New Way Forward, State and DOD officials directed us to (1) the President's speeches on Iraq on September 13, 2007, and April 10, 2008; (2) a White House Fact Sheet on the Way Forward, April 10, 2008; and (3) testimonies of the Secretary of Defense, the Commanding General of MNF-I; and the U.S. Ambassador to Iraq.

Security Conditions

To determine the progress made in improving security in Iraq, we relied extensively on a number of prior GAO reports. Where appropriate, we updated data on security trends. To update these data, we obtained and assessed MNF-I data on enemy-initiated attacks against the coalition and its Iraqi partners from the Defense Intelligence Agency (DIA). We determined that the data were sufficiently reliable for establishing general trends in the number of enemy-initiated attacks in Iraq. To determine the reliability of the data, we reviewed MNF-I's attacks reporting guidance, compared the unclassified data to classified sources, and discussed how the data are collected, analyzed, and reported with DIA officials.

We also collected data on the three main factors that contributed to the security improvements (1) U.S. combat forces; (2) nongovernmental Iraqi security forces, such as the Sons of Iraq; and (3) the declared cease-fire by the Mahdi Army. To determine the reliability of the U.S. combat forces data, we compared the unclassified U.S. troop numbers to classified sources, and discussed how the data are collected and reported with Department of Defense (DOD) officials. In addition, we reviewed MNF-I, DOD, and United Nations (UN) documents on nongovernmental Iraqi security forces and the declared cease-fire of the Mahdi Army leader. We also interviewed officials from State, DOD, including DIA and the Joint Staff, in Washington, D.C., and Baghdad, Iraq.

Iraqi Operational Readiness and the Transfer of Security Responsibilities

To determine if progress has been made in improving the capabilities of Iraq's security forces and transferring security to the government of Iraq, we relied on a number of prior GAO reports and, where appropriate, we updated data. To update data on the results of U.S. efforts to develop Iraqi security forces, we reviewed DOD and MNF-I documents showing the capabilities and size of the Iraqi army and police units. For example, we analyzed MNF-I's Operational Readiness Assessments (ORA), formerly known as Transitional Readiness Assessments, for Iraqi army units.

To update information on factors affecting the development of Iraqi security forces, we reviewed DOD, State, and UN reports, as well as a report of an independent commission and MNF-I guidance on Iraqi readiness assessments. We relied on DOD and State reports for the number of trained Iraqi security forces. We recognize limitations to these reported data, but determined that they are sufficiently reliable to show a general trend in the growth of Iraqi security forces. We reviewed DOD and State documents showing planned and actual transfer of provinces to provincial Iraqi control. We interviewed officials from DOD, DIA, State, and the National Intelligence Council.

Key Legislative Initiatives

To determine progress made on actions related to Iraq's constitutional review and enacting and implementing key legislation, we used prior GAO reporting and updated information where appropriate. In updating the information, we reviewed reports and documentation from the UN, U.S. Institute for Peace, non-governmental organizations, United States Agency for International Development (USAID) and the Departments of Defense and State in Washington, D.C., and Baghdad, Iraq. We reviewed draft laws and enacted legislation, as well as analyses of the laws. We spoke to officials from the UN, State, Defense, USAID, the U.S. Institute of Peace, and Iraqi officials.

Budget Execution

To assess the extent to which the government of Iraq is assisting Iraqi government experts to execute budgets, we relied extensively on a prior GAO report and updated the information where necessary. We interviewed officials from the U.S. Department of the Treasury, DOD, and State in Washington, D.C., as well as consultants under contract with the United Kingdom's Department of International Development. To assess progress in allocating and spending Iraqi revenues we reviewed Iraqi Ministry of Finance capital budget and expenditure data for fiscal years 2006 and 2007 provided by the Treasury, and unofficial Ministry of Planning and Development Cooperation data on capital expenditures reported by MNF-I. To examine the data the U.S. Embassy in Baghdad uses to measure Iraqi government spending, we obtained expenditure data from Treasury and the U.S. embassy in Baghdad and interviewed knowledgeable U.S. agency officials. We did not independently verify the precision of the data on Iraq's budget execution. However, the disparity among the different sets of data calls into question their reliability and whether they can be used to draw firm conclusions about the extent to which the Iraqi government has increased its spending on capital projects in 2007, compared with 2006. We also reviewed U.S. embassy reports on Iraqi budget execution, Iraqi government instructions for executing the budget, Iraq's Financial Management Law, the Special Inspector General for Iraq Reconstruction's (SIGIR) Quarterly and Semiannual Report to the Congress, and the Administration's July and September 2007 Benchmark Assessment Reports.

Essential Services

To assess the extent to which the Iraqi government is providing key essential services to the Iraqi people, we relied extensively on prior GAO reports and updated the information where necessary. To do so, we interviewed officials and reviewed documents from DOD and State. We also reviewed prior GAO, U.S. agency inspector general, SIGIR, and other audit agency reports. On the basis of this analysis, we found the data sufficiently reliable for identifying production goals in both sectors and whether actual production is meeting these goals.

Appendix II: Comparison of Current GAO Reporting Objectives with 18 Iraq Benchmarks

In September 2007, as required by the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007,[1] GAO provided Congress an independent assessment of whether the government of Iraq had met 18 benchmarks contained in the act, and the status of the achievement of the benchmarks.[2] While our current report covers almost all of the issues included in our September 2007 report, our reporting objectives are derived from the key goals outlined in *The New Way Forward* in Iraq. In many of the areas, our current reporting objectives enabled us to provide a broader context and updated analysis that expand on information included in the benchmarks report. This report discusses progress in meeting key U.S. goals outlined in *The New Way Forward*, specifically, (1) improving security conditions; (2) developing Iraqi security forces' capabilities and transferring security responsibilities to the Iraqi government; (3) facilitating Iraqi government efforts to draft, enact, and implement key legislative initiatives; (4) assisting Iraqi government efforts to spend budgets; and (5) helping the Iraqi government provide key essential services to its people. We did not assess issues described in benchmarks (viii) and (xvi) because we previously assessed those benchmarks to have been met. We did not assess benchmark (iv) because while the semi-autonomous regions law has been enacted, implementation does not occur until one or more provinces attempt to form a region.

Table 4 provides a crosswalk between our current reporting objectives and the 18 benchmarks.

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[1] Section 1314 of Public Law 110-28.

[2] GAO, *Securing, Stabilizing, and Rebuilding Iraq: Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks,* GAO-07-1195 (Washington, D.C.: Sept. 4, 2007).

Table 4: Comparison of Current GAO Reporting Objectives with 18 Iraq Benchmarks Assessed in GAO September 2007 Report

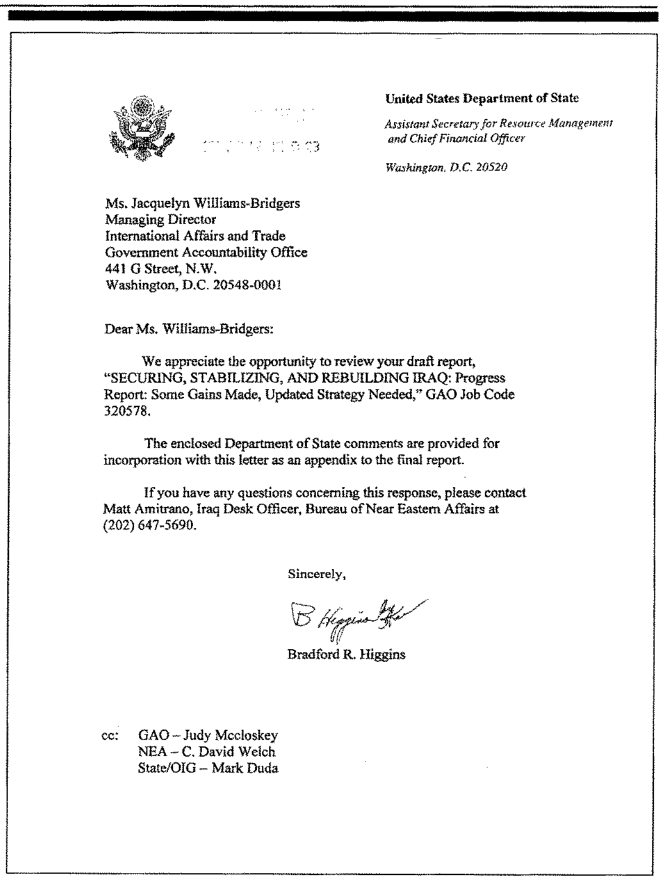
Benchmark assessed in GAO September 2007 report (GAO-07-1195)	Current reporting objective (GAO-08-837)
(i) Forming a Constitutional Review Committee and then completing the constitutional review	Objective 3
(ii) Enacting and implementing legislation on de-Ba'athification	Objective 3
(iii) Enacting and implementing legislation to ensure the equitable distribution of hydrocarbon resources of the people of Iraq without regard to the sect or ethnicity of recipients, and enacting and implementing legislation to ensure that the energy resources of Iraq benefit Suni Arabs, Shia Arabs, Kurds, and other Iraqi citizens in an equitable manner	Objective 3
(iv) Enacting and implementing legislation on procedures to form semi-autonomous regions	Not included
(v) Enacting and implementing legislation establishing an Independent High Electoral Commission, provincial elections law, provincial council authorities, and a date for provincial elections	Objective 3
(vi) Enacting and implementing legislation addressing amnesty	Objective 3
(vii) Enacting and implementing legislation establishing a strong militia disarmament program to ensure that such security forces are accountable only to the central government and loyal to the Constitution of Iraq	Objective 3
(viii) Establishing supporting political, media, economic, and services committees in support of the Baghdad Security Plan	Not included
(ix) Providing three trained and ready Iraqi brigades to support Baghdad operations	Objective 2
(x) Providing Iraqi commanders with all authorities to execute this plan and to make tactical and operational decisions, in consultation with U.S commanders, without political intervention, to include the authority to pursue all extremists, including Sunni insurgents and Shiite militias	Objective 2
(xi) Ensuring that the Iraqi security forces are providing even-handed enforcement of the law	Objective 2
(xii) Ensuring that, according to President Bush, Prime Minister Maliki said "the Baghdad security plan will not provide a safe haven for any outlaws, regardless of [their] sectarian or political affiliation"	Objective 1 and Objective 2
(xiii) Reducing the level of sectarian violence in Iraq and eliminating militia control of local security	Objective 1 and Objective 2
(xiv) Establishing all of the planned joint security stations in neighborhoods across Baghdad	Objective 1
(xv) Increasing the number of Iraqi security forces units capable of operating independently	Objective 2
(xvi) Ensuring that the rights of minority political parties in the Iraqi legislature are protected	Not included
(xvii) Allocating and spending $10 billion in Iraqi revenues for reconstruction projects, including delivery of essential services, on an equitable basis	Objective 4 and Objective 5
(xviii) Ensuring that Iraq's political authorities are not undermining or making false accusations against members of the Iraqi security forces	Objective 2

Source: GAO analysis.

Note: We did not assess issues described in benchmarks (viii) and (xvi) because we previously assessed those benchmarks to have been met.

Appendix III: Comments from the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



United States Department of State

Assistant Secretary for Resource Management
and Chief Financial Officer

Washington, D.C. 20520

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "SECURING, STABILIZING, AND REBUILDING IRAQ: Progress Report: Some Gains Made, Updated Strategy Needed," GAO Job Code 320578.

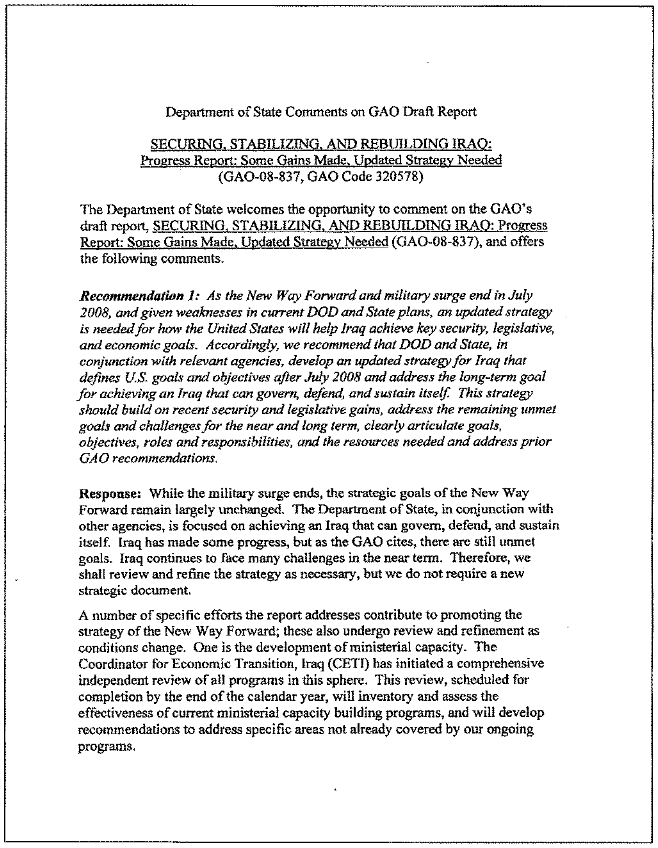
The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Matt Amitrano, Iraq Desk Officer, Bureau of Near Eastern Affairs at (202) 647-5690.

Sincerely,

Bradford R. Higgins

cc: GAO – Judy Mccloskey
NEA – C. David Welch
State/OIG – Mark Duda



Department of State Comments on GAO Draft Report

SECURING, STABILIZING, AND REBUILDING IRAQ:
Progress Report: Some Gains Made, Updated Strategy Needed
(GAO-08-837, GAO Code 320578)

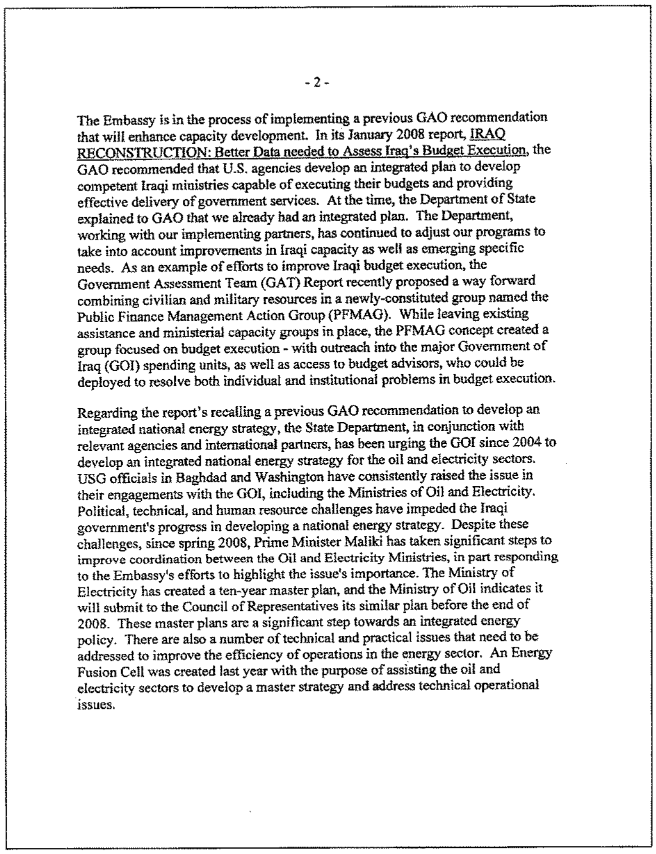
The Department of State welcomes the opportunity to comment on the GAO's draft report, SECURING, STABILIZING, AND REBUILDING IRAQ: Progress Report: Some Gains Made, Updated Strategy Needed (GAO-08-837), and offers the following comments.

Recommendation 1: *As the New Way Forward and military surge end in July 2008, and given weaknesses in current DOD and State plans, an updated strategy is needed for how the United States will help Iraq achieve key security, legislative, and economic goals. Accordingly, we recommend that DOD and State, in conjunction with relevant agencies, develop an updated strategy for Iraq that defines U.S. goals and objectives after July 2008 and address the long-term goal for achieving an Iraq that can govern, defend, and sustain itself. This strategy should build on recent security and legislative gains, address the remaining unmet goals and challenges for the near and long term, clearly articulate goals, objectives, roles and responsibilities, and the resources needed and address prior GAO recommendations.*

See comment 1.

Response: While the military surge ends, the strategic goals of the New Way Forward remain largely unchanged. The Department of State, in conjunction with other agencies, is focused on achieving an Iraq that can govern, defend, and sustain itself. Iraq has made some progress, but as the GAO cites, there are still unmet goals. Iraq continues to face many challenges in the near term. Therefore, we shall review and refine the strategy as necessary, but we do not require a new strategic document.

A number of specific efforts the report addresses contribute to promoting the strategy of the New Way Forward; these also undergo review and refinement as conditions change. One is the development of ministerial capacity. The Coordinator for Economic Transition, Iraq (CETI) has initiated a comprehensive independent review of all programs in this sphere. This review, scheduled for completion by the end of the calendar year, will inventory and assess the effectiveness of current ministerial capacity building programs, and will develop recommendations to address specific areas not already covered by our ongoing programs.



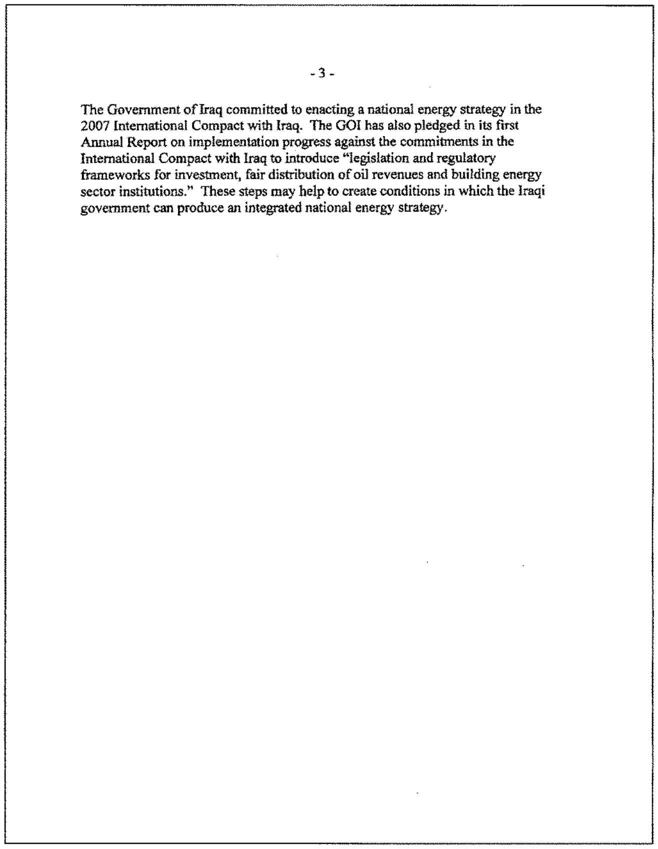
- 2 -

See comment 2.

The Embassy is in the process of implementing a previous GAO recommendation that will enhance capacity development. In its January 2008 report, IRAQ RECONSTRUCTION: Better Data needed to Assess Iraq's Budget Execution, the GAO recommended that U.S. agencies develop an integrated plan to develop competent Iraqi ministries capable of executing their budgets and providing effective delivery of government services. At the time, the Department of State explained to GAO that we already had an integrated plan. The Department, working with our implementing partners, has continued to adjust our programs to take into account improvements in Iraqi capacity as well as emerging specific needs. As an example of efforts to improve Iraqi budget execution, the Government Assessment Team (GAT) Report recently proposed a way forward combining civilian and military resources in a newly-constituted group named the Public Finance Management Action Group (PFMAG). While leaving existing assistance and ministerial capacity groups in place, the PFMAG concept created a group focused on budget execution - with outreach into the major Government of Iraq (GOI) spending units, as well as access to budget advisors, who could be deployed to resolve both individual and institutional problems in budget execution.

See comment 3.

Regarding the report's recalling a previous GAO recommendation to develop an integrated national energy strategy, the State Department, in conjunction with relevant agencies and international partners, has been urging the GOI since 2004 to develop an integrated national energy strategy for the oil and electricity sectors. USG officials in Baghdad and Washington have consistently raised the issue in their engagements with the GOI, including the Ministries of Oil and Electricity. Political, technical, and human resource challenges have impeded the Iraqi government's progress in developing a national energy strategy. Despite these challenges, since spring 2008, Prime Minister Maliki has taken significant steps to improve coordination between the Oil and Electricity Ministries, in part responding to the Embassy's efforts to highlight the issue's importance. The Ministry of Electricity has created a ten-year master plan, and the Ministry of Oil indicates it will submit to the Council of Representatives its similar plan before the end of 2008. These master plans are a significant step towards an integrated energy policy. There are also a number of technical and practical issues that need to be addressed to improve the efficiency of operations in the energy sector. An Energy Fusion Cell was created last year with the purpose of assisting the oil and electricity sectors to develop a master strategy and address technical operational issues.



The Government of Iraq committed to enacting a national energy strategy in the 2007 International Compact with Iraq. The GOI has also pledged in its first Annual Report on implementation progress against the commitments in the International Compact with Iraq to introduce "legislation and regulatory frameworks for investment, fair distribution of oil revenues and building energy sector institutions." These steps may help to create conditions in which the Iraqi government can produce an integrated national energy strategy.

The following are GAO's comments on the Department of State letter dated June 16, 2008.

GAO Comments

1. State disagreed with our recommendation to develop an updated strategic plan, stating that while the military surge ends, the strategic goals of *The New Way Forward* remain largely unchanged. State noted that Iraq continues to face many challenges in the near term and there are still unmet goals. While State said it would review and refine the strategy as needed, it commented that "we do not require a new strategic document." We disagree. Much has changed in Iraq since January 2007, including some of the assumptions upon which *The New Way Forward* was based.

    - Violence in Iraq is down but U.S. surge forces are leaving and over 100,000 armed Sons of Iraq remain.
    - Late 2007 target dates for the government of Iraq to pass key legislation and assume control over local security have passed.
    - The United States is currently negotiating a status of forces agreement with Iraq to replace UN Security Council Resolutions.
    - The Secretary of Defense recently articulated a new long term goal for Iraq—an Iraq that helps bridge sectarian divides in the Middle East.

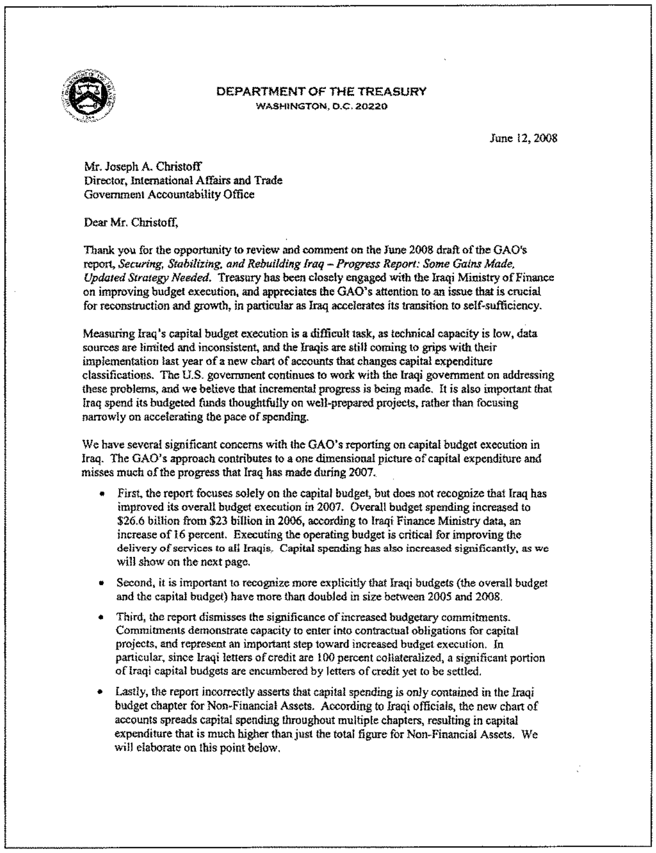
    An updated U.S. strategy must reflect these changes by assessing the progress made over the past 18 months, targeting the unmet goals of the New Way Forward and articulating our long-term strategic objectives for Iraq.

2. It is unclear if State is implementing GAO's prior recommendations on building capacity in Iraq's ministries. In our October 2007 report, we recommended that the State Department develop an integrated plan for U.S. capacity development programs in Iraq. The Embassy stated that it is in the process of implementing a previous GAO recommendation that will enhance U.S. capacity development in Iraq. In contrast, State department contends that our recommendation is not needed because such a plan already exists. An integrated plan is still needed and becomes even more important as State and Treasury announce another new capacity development program – the Public Finance Management Action Group – to help Iraq with budget execution issues.

3. We are encouraged that State is working with the Iraqi government to develop the integrated national energy strategy we called for in our May 2007 report: "Rebuilding Iraq: Integrated Strategic Plan Needed to Help Restore Iraq's Oil and Electricity Sectors", GAO-07-677.

Appendix IV: Comments from the Department of the Treasury

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 12, 2008

Mr. Joseph A. Christoff
Director, International Affairs and Trade
Government Accountability Office

Dear Mr. Christoff,

Thank you for the opportunity to review and comment on the June 2008 draft of the GAO's report, *Securing, Stabilizing, and Rebuilding Iraq – Progress Report: Some Gains Made, Updated Strategy Needed*. Treasury has been closely engaged with the Iraqi Ministry of Finance on improving budget execution, and appreciates the GAO's attention to an issue that is crucial for reconstruction and growth, in particular as Iraq accelerates its transition to self-sufficiency.

Measuring Iraq's capital budget execution is a difficult task, as technical capacity is low, data sources are limited and inconsistent, and the Iraqis are still coming to grips with their implementation last year of a new chart of accounts that changes capital expenditure classifications. The U.S. government continues to work with the Iraqi government on addressing these problems, and we believe that incremental progress is being made. It is also important that Iraq spend its budgeted funds thoughtfully on well-prepared projects, rather than focusing narrowly on accelerating the pace of spending.

See comment 1.

We have several significant concerns with the GAO's reporting on capital budget execution in Iraq. The GAO's approach contributes to a one dimensional picture of capital expenditure and misses much of the progress that Iraq has made during 2007.

See comment 2.

- First, the report focuses solely on the capital budget, but does not recognize that Iraq has improved its overall budget execution in 2007. Overall budget spending increased to $26.6 billion from $23 billion in 2006, according to Iraqi Finance Ministry data, an increase of 16 percent. Executing the operating budget is critical for improving the delivery of services to all Iraqis. Capital spending has also increased significantly, as we will show on the next page.

See comment 3.

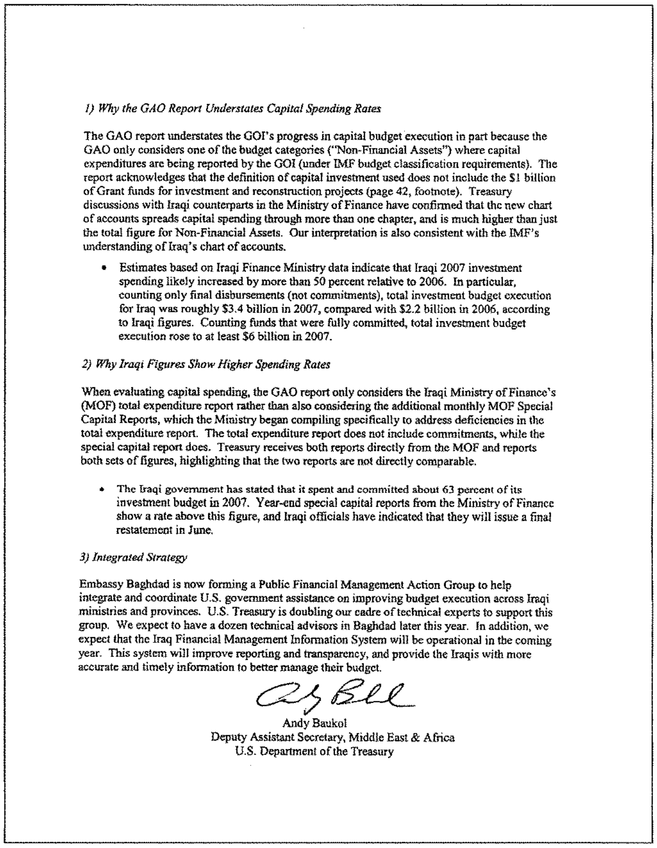
- Second, it is important to recognize more explicitly that Iraqi budgets (the overall budget and the capital budget) have more than doubled in size between 2005 and 2008.

See comment 4.

- Third, the report dismisses the significance of increased budgetary commitments. Commitments demonstrate capacity to enter into contractual obligations for capital projects, and represent an important step toward increased budget execution. In particular, since Iraqi letters of credit are 100 percent collateralized, a significant portion of Iraqi capital budgets are encumbered by letters of credit yet to be settled.

See comment 5.

- Lastly, the report incorrectly asserts that capital spending is only contained in the Iraqi budget chapter for Non-Financial Assets. According to Iraqi officials, the new chart of accounts spreads capital spending throughout multiple chapters, resulting in capital expenditure that is much higher than just the total figure for Non-Financial Assets. We will elaborate on this point below.



1) Why the GAO Report Understates Capital Spending Rates

The GAO report understates the GOI's progress in capital budget execution in part because the GAO only considers one of the budget categories ("Non-Financial Assets") where capital expenditures are being reported by the GOI (under IMF budget classification requirements). The report acknowledges that the definition of capital investment used does not include the $1 billion of Grant funds for investment and reconstruction projects (page 42, footnote). Treasury discussions with Iraqi counterparts in the Ministry of Finance have confirmed that the new chart of accounts spreads capital spending through more than one chapter, and is much higher than just the total figure for Non-Financial Assets. Our interpretation is also consistent with the IMF's understanding of Iraq's chart of accounts.

See comment 5.

- Estimates based on Iraqi Finance Ministry data indicate that Iraqi 2007 investment spending likely increased by more than 50 percent relative to 2006. In particular, counting only final disbursements (not commitments), total investment budget execution for Iraq was roughly $3.4 billion in 2007, compared with $2.2 billion in 2006, according to Iraqi figures. Counting funds that were fully committed, total investment budget execution rose to at least $6 billion in 2007.

2) Why Iraqi Figures Show Higher Spending Rates

When evaluating capital spending, the GAO report only considers the Iraqi Ministry of Finance's (MOF) total expenditure report rather than also considering the additional monthly MOF Special Capital Reports, which the Ministry began compiling specifically to address deficiencies in the total expenditure report. The total expenditure report does not include commitments, while the special capital report does. Treasury receives both reports directly from the MOF and reports both sets of figures, highlighting that the two reports are not directly comparable.

See comment 6.

- The Iraqi government has stated that it spent and committed about 63 percent of its investment budget in 2007. Year-end special capital reports from the Ministry of Finance show a rate above this figure, and Iraqi officials have indicated that they will issue a final restatement in June.

3) Integrated Strategy

See comment 7.

Embassy Baghdad is now forming a Public Financial Management Action Group to help integrate and coordinate U.S. government assistance on improving budget execution across Iraqi ministries and provinces. U.S. Treasury is doubling our cadre of technical experts to support this group. We expect to have a dozen technical advisors in Baghdad later this year. In addition, we expect that the Iraq Financial Management Information System will be operational in the coming year. This system will improve reporting and transparency, and provide the Iraqis with more accurate and timely information to better manage their budget.

Andy Baukol
Deputy Assistant Secretary, Middle East & Africa
U.S. Department of the Treasury

The following are GAO's comments on the Department of Treasury letter dated June 12, 2008.

GAO Comments

1. The government of Iraq allocated $10 billion of its revenues for capital projects and reconstruction when it passed its 2007 budget in February 2007. We focused on Iraq's efforts to spend its capital budget because it is a key benchmark that the government committed to achieve by the end of 2007. *The New Way Forward* identified Iraq's inability to fully spend its own resources to rebuild its infrastructure and deliver essential services as a critical economic challenge to Iraq's self-reliance.

2. Treasury states that Iraq has improved its overall budget execution in 2007, citing as an example an overall increase in Iraq's budget from $23 billion in 2006 to $26.6 billion in 2007, an increase of 16 percent. However, the Ministry of Finance reports expenditures in Iraqi dinar, not US dollars. When analyzed in dinars, Iraq's budget decreased 3 percent from 34.5 trillion dinars in 2006 to 33.5 trillion dinars in 2007. The 16 percent increase that Treasury reported is due to the 19 percent appreciation of Iraqi dinar in 2007.

3. We agree that Iraq's budget doubled in size between 2005 and 2008 in dollar terms. However, much of the increase was due to a 25 percent appreciation of the Iraqi dinar and a four fold increase in the budgets of Iraq's security ministries.

4. Treasury states that the our draft report dismisses the significance of the increase in Iraq's budgetary "commitments", stating that GAO's analyses rely only on Iraqi Ministry of Finance's total expenditure report rather than the Ministry's special capital reports. The latter report includes budgetary "commitments". We did not use the special reports in our analyses for two reasons: (1) Treasury Department officials stated in our meetings with them that the special reports contain unreliable and unverifiable data and (2) the special reports do not define commitments, measure them or describe how or when these commitments would result in actual expenditures. In addition, our reviews of these special reports show inconsistent use of poorly defined budgetary terms, as well as columns and rows that did not add up.

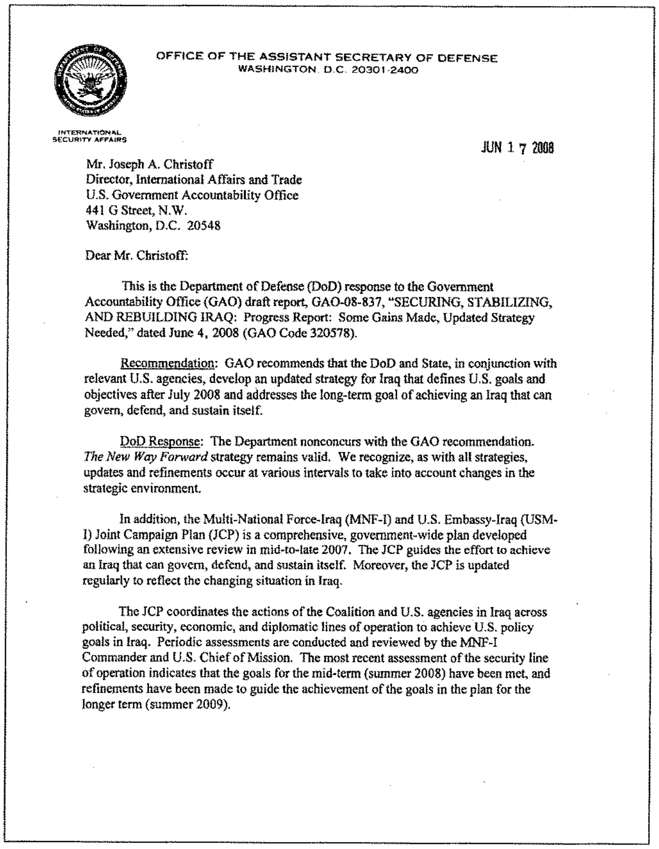
5. Treasury stated that Iraq counts capital expenditures in the grants section of its expenditure reports, as well as the non-financial assets section. After reviewing the grants section, we have updated the data

presented in table 3 to include an additional $1.1 billion in budget and expenditures for 2007. Accordingly, the percent of the budget spent in 2007 was 28 percent.

6. We added information on the Iraqi government's report that it spent and committed about 63 percent of its investment budget.
7. We have added additional information on the Public Financial Management Action Group that Treasury is forming to improve Iraqi budget execution across Iraqi ministries and provinces.

Appendix V: Comments from the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301-2400

INTERNATIONAL
SECURITY AFFAIRS

JUN 17 2008

Mr. Joseph A. Christoff
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Christoff:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) draft report, GAO-08-837, "SECURING, STABILIZING, AND REBUILDING IRAQ: Progress Report: Some Gains Made, Updated Strategy Needed," dated June 4, 2008 (GAO Code 320578).

Recommendation: GAO recommends that the DoD and State, in conjunction with relevant U.S. agencies, develop an updated strategy for Iraq that defines U.S. goals and objectives after July 2008 and addresses the long-term goal of achieving an Iraq that can govern, defend, and sustain itself.

See comment 1.

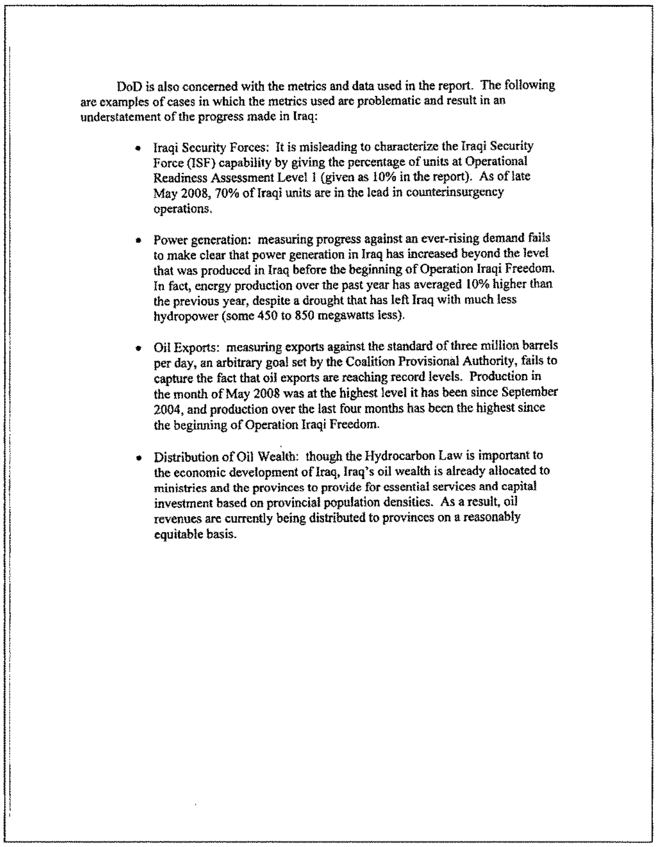
DoD Response: The Department nonconcurs with the GAO recommendation. *The New Way Forward* strategy remains valid. We recognize, as with all strategies, updates and refinements occur at various intervals to take into account changes in the strategic environment.

See comment 2.

In addition, the Multi-National Force-Iraq (MNF-I) and U.S. Embassy-Iraq (USM-I) Joint Campaign Plan (JCP) is a comprehensive, government-wide plan developed following an extensive review in mid-to-late 2007. The JCP guides the effort to achieve an Iraq that can govern, defend, and sustain itself. Moreover, the JCP is updated regularly to reflect the changing situation in Iraq.

See comment 3.

The JCP coordinates the actions of the Coalition and U.S. agencies in Iraq across political, security, economic, and diplomatic lines of operation to achieve U.S. policy goals in Iraq. Periodic assessments are conducted and reviewed by the MNF-I Commander and U.S. Chief of Mission. The most recent assessment of the security line of operation indicates that the goals for the mid-term (summer 2008) have been met, and refinements have been made to guide the achievement of the goals in the plan for the longer term (summer 2009).



DoD is also concerned with the metrics and data used in the report. The following are examples of cases in which the metrics used are problematic and result in an understatement of the progress made in Iraq:

See comment 4.

- Iraqi Security Forces: It is misleading to characterize the Iraqi Security Force (ISF) capability by giving the percentage of units at Operational Readiness Assessment Level 1 (given as 10% in the report). As of late May 2008, 70% of Iraqi units are in the lead in counterinsurgency operations.

See comment 5.

- Power generation: measuring progress against an ever-rising demand fails to make clear that power generation in Iraq has increased beyond the level that was produced in Iraq before the beginning of Operation Iraqi Freedom. In fact, energy production over the past year has averaged 10% higher than the previous year, despite a drought that has left Iraq with much less hydropower (some 450 to 850 megawatts less).

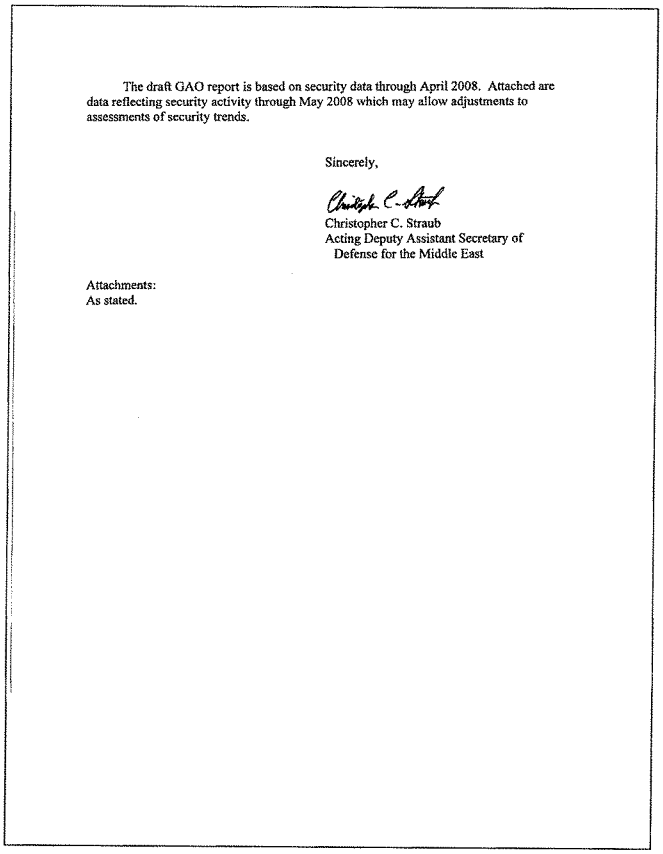
See comment 6.

- Oil Exports: measuring exports against the standard of three million barrels per day, an arbitrary goal set by the Coalition Provisional Authority, fails to capture the fact that oil exports are reaching record levels. Production in the month of May 2008 was at the highest level it has been since September 2004, and production over the last four months has been the highest since the beginning of Operation Iraqi Freedom.

See comment 7.

- Distribution of Oil Wealth: though the Hydrocarbon Law is important to the economic development of Iraq, Iraq's oil wealth is already allocated to ministries and the provinces to provide for essential services and capital investment based on provincial population densities. As a result, oil revenues are currently being distributed to provinces on a reasonably equitable basis.

See comment 8.



The draft GAO report is based on security data through April 2008. Attached are data reflecting security activity through May 2008 which may allow adjustments to assessments of security trends.

Sincerely,

Christopher C. Straub
Acting Deputy Assistant Secretary of
Defense for the Middle East

Attachments:
As stated.

The following are GAO's comments on the Department of Defense letter dated June 17, 2008.

GAO's Comments

1. DOD recognized, as with all strategies, updates and refinements occur at varying intervals to take into account changes in the strategic environment. However, DOD did not concur with our recommendation, stating that *The New Way Forward* strategy remains valid. We disagree for several reasons. First, much has changed in Iraq since January 2007, including some of the assumptions upon which *The New Way Forward* was based. Specifically:

   - Violence in Iraq is down but U.S. surge forces are leaving and over 100,000 armed Sons of Iraq remain.
   - Late 2007 target dates for the government of Iraq to pass key legislation and assume control over local security have passed.
   - The United States is currently negotiating a status of forces agreement with Iraq to replace UN Security Council Resolutions.
   - The Secretary of Defense recently articulated a new long term goal for Iraq—an Iraq that helps bridge sectarian divides in the Middle East.

   Second, *The New Way Forward* is not a complete strategic plan because it lays out goals and objectives for only the near-term phase that ends in July 2008. Third, the goals and objectives of *The New Way Forward* and the phase that follows it are contained in disparate documents such as Presidential speeches, White House fact sheets, and an NSC power point presentation, rather than in a strategic planning document similar to the National Strategy for Victory in Iraq (NSVI), the prior U.S. strategy for Iraq. Fourth, the documents that describe the phase after July 2008 do not specify the administration's long term strategic goals and objectives in Iraq or how it intends to achieve them. In contrast, while the NSVI was also an incomplete strategy, it contained a comprehensive description of U.S. political, security, and economic goals and objectives in Iraq over the short term, medium term, and long term.

   We continue to believe that the Administration should update its strategy for Iraq, given the importance of the war effort to U.S. national security interests, the expenditure of billions of dollars for U.S. military and civilian efforts in Iraq, and the continued deployment of at least 140,000 troops in Iraq. An updated U.S. strategy must reflect changes in conditions in Iraq by assessing the progress made over the past 18 months, targeting the unmet goals of the *New Way Forward,* and articulating our long-term strategic objectives for Iraq.

2. DOD cited the MNF-I/U.S. embassy-Iraq Joint Campaign Plan as a comprehensive, government wide-plan that guides the effort to achieve an Iraq that can govern, defend, and sustain itself. In our review of the classified Joint Campaign Plan, however, we identified limitations to the plan, which are discussed in a separate, classified GAO report—*Stabilizing Iraq: DOD Should Identify and Prioritize the Conditions Necessary for the Continued Drawdown of U.S. Forces.*[1] Further, we believe that the Joint Campaign Plan is not a substitute for an updated strategic plan for Iraq. As we stated in our report, a campaign plan is an operational, not a strategic, plan, according DOD's doctrine for joint operation planning. A campaign plan must rely on strategic guidance from national authorities for its development. For example, the April 2006 MNF-I/U.S. embassy Baghdad Joint Campaign Plan relied on the NSC's prior strategic plan, the National Strategy for Victory in Iraq, as a basis for the plan's development. The classified campaign plan does not provide Congress or the American people with the administration's road map for achieving victory in Iraq.

3. According to DOD, MNF-I and the U.S. embassy recently assessed the security line of operation and determined that the goals for the phase ending in summer 2008 have been met. We disagree with DOD's statement that the security goals for this phase have been met. For example, *The New Way Forward* stated that the Iraqi government would take responsibility for security in all 18 provinces by November 2007, but only 8 of 18 provinces had transitioned to Iraqi control at that time. As of June 18, 2008, only 9 of 18 provinces had transitioned. Our classified report on the Joint Campaign Plan provides more information on the goals of the security line of operation, the various phases of the campaign plan, and a recent assessment of the security line of operation.[2]

4. DOD stated that it is misleading for our report to characterize the Iraqi security forces capability by giving the percentage of units at

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[1] GAO-08-700C.

[2] GAO-08-700C.

Operational Readiness Assessment (ORA) level 1, noting that as of late May 2008, 70 percent of Iraqi units were in the lead in counterinsurgency operations. We added information on Iraqi units in the lead to our report. However, we believe that the report is not misleading by providing information on ORA level 1 units because this was a benchmark established by Congress and derived from benchmarks and commitments articulated by the Iraqi government beginning in June 2006. Thus, the numbers of independent Iraqi security forces as measured by ORA level 1 continue to be an important measure of the capabilities of the Iraqi security forces. Further, as we discuss in the report, the term "in the lead" has evolved to include less capable Iraqi security forces. Specifically, according to testimony of the MNF-I Commanding General, MNF-I counted only ORA level 1 and ORA level 2 units as "in the lead" in January 2007. However, as of March 2008, MNF-I was also counting some ORA level 3 units—that is, units only "partially capable of conducting counterinsurgency operations"—as in the lead in counterinsurgency operations.

5. DOD disagreed with our measuring progress in power generation against an ever-rising demand for electricity and noted that energy production has increased over the past year. We present data on the gap between supply and demand for electricity in Iraq because the Departments of State and Defense use this statistic to measure progress. We have updated our report to reflect data through May 2008 and DOD's statement regarding the slight increase in electricity generation over the past year.

6. DOD stated that the goal upon which we measure oil production progress was an arbitrary goal set by the CPA. State Department had similar technical comments. We used the goal of 3.0 mbpd production capacity because the DOD command responsible for funding and managing oil reconstruction projects in Iraq—the U.S. Army Corps of Engineers—has consistently used this goal to measure progress in Iraq. As recently as April 2008, the U.S. Army Corps of Engineers has included this goal in its weekly update to the Secretary of the Army. We have updated our report to include oil production statistics through May 2008.

7. DOD stated that although the hydrocarbon legislation is important to the economic development of Iraq, Iraq's oil wealth is being distributed to provinces on a reasonably equitable basis. Providing Iraq's oil wealth through the budget process is not a sustainable solution to equitably distribute resources since allocations must be negotiated

annually. The hydrocarbon legislation intends to provide an enduring resolution for the management and control of Iraq's current and future hydrocarbon resources and the distribution of revenues from them. Furthermore, this legislation is to provide a transparent legal framework that defines the rights of foreign investors and encourages the foreign investment needed to modernize Iraq's oil sector.

8. We updated our report to include enemy-initiated attacks data for May 2008. Unclassified attacks data for May were not available at the time we sent our draft report to the agencies for comment.

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition, the following staff contributed to the report:

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WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING

JULY 23, 2008

RESPONSE TO QUESTIONS SUBMITTED BY MR. HUNTER

Mr. DODARO. In response to your question on what has GAO's recommended to improve U.S. operations and help advance U.S. goals in Iraq? and GAO's progress report on Iraq.[1] Over the past few years, we have made several recommendations to improve strategies and plans that guide U.S. Military and civilian efforts in stabilizing and rebuilding Iraq.

Update U.S. Strategic Plan for Iraq: In our recent Iraqi progress report, we recommended that the Department of Defense (DOD) and the State Department, in conjunction with relevant U.S. agencies, develop an updated strategy for Iraq that defines U.S. goals and objectives after July 2008 and addresses the long-term goal of achieving an Iraq that can govern, defend, and sustain itself. The desirable characteristics of an effective national strategy are purpose, scope, and methodology; detailed discussion of problems, risks, and threats; the desired goal, objectives, activities, and outcome-related performance measures; description of future costs and resources needed; delineation of U.S. government roles, responsibilities, and coordination mechanisms; and a description of the strategy's integration among and with other entities. We reaffirm the need for an updated strategy for several reasons.

- First, much has changed in Iraq since January 2007, including some of the assumptions upon which *The New Way Forward* was based. For example, violence in Iraq is down but U.S. susrge brigades have left and over 100,000 armed Sons of Iraq remain; Iraq did not meet late 2007 target dates to pass legislation and assume control over local security; and the United States is currently negotiating a status of forces agreement with Iraq to replace United Nations (UN) Security Council Resolutions.
- Second, *The New Way Forward* is an incomplete strategic plan because it articulates goals and objectives for only the near-term phase that ended in July 2008.
- Third, the goals and objectives of *The New Way Forward* and the phase that follows it are contained in disparate documents such as presidential speeches, White House fact sheets, and a National Security Council (NSC) PowerPoint presentation, rather than in a strategic planning document similar to the National Strategy for Victory in Iraq, the prior U.S. strategy for Iraq.
- Fourth, the limited documents that describe the phase after July 2008 do not specify the administration's long-term strategic goals and objectives in Iraq or how to achieve them.

Improve Operational Planning: GAO has also recommended that the administration improve the operational planning for U.S. military and civilian operations in Iraq.

- In a classified report,[2] we identified areas in which the Multinational Force-Iraq (MNF–I)/U.S. Embassy Baghdad Joint Campaign Plan—the operational plan that guides all U.S. military and civilian operations in Iraq—had limitations with respect to DOD's joint operation planning doctrine.[3] For example, joint doctrine states that effective operational planning cannot occur without a clear understanding of the conditions that must exist to end military operations and draw down forces. Further, according to doctrine, a campaign plan should provide an estimate of the time and forces required to reach the conditions for mission success or termination. In our classified report, we found that DOD should, among other things, identify and prioritize the conditions necessary for the continued drawdown of U.S. forces in Iraq.

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[1] GAO *Securing, Stabilizing, and Rebuilding Iraq: Progress Report: Some Gains Made, Updated Strategy Needed,* GAO–08–1021T (Washington, D.C.: July 23, 2008).

[2] GAO, *Stabilizing Iraq: DOD Should Identify and Prioritize the Conditions Necessary for the Continued Drawdown of U.S. Forces in Iraq,* GAO–08–700C (Washington, D.C.: June 23, 2008).

[3] In contrast with a strategic plan, a campaign plan is developed at the operational level. Activities at this level link tactics and strategy by establishing operational objectives needed to achieve strategic objectives, sequencing events to achieve the operational objectives, initiating actions, and applying resources to bring about and sustain these events. The development of a campaign plan, according to doctrine, should be based on suitable and feasible national strategic objectives formulated by the President, the Secretary of Defense, and the Chairman of the Joint Chiefs of Staff—with appropriate consultation with additional NSC members, other U.S. government agencies, and multinational partners.

- We also identified weaknesses in other U.S. plans for Iraq. For example, although multiple U.S. agencies have programs to develop the capacity of Iraqi ministries, U.S. efforts lack an integrated strategy.[4] Such strategy should include a clear purpose, scope, and methodology; delineation of U.S. roles, responsibilities, coordination, and integration; desired goals, objectives, and activities; performance measures; and a description of costs, resources needed, and risk. In addition, although the United States has spent billions of dollars to rebuild Iraq's oil and electricity sectors, Iraq lacks an integrated plan for the energy sector.[5] We recommended that State work with the Iraqi government to develop integrated plans for ministry capacity development and the energy sector, so that they provide clear guidance for U.S. efforts, manage risk, and identify needed resources.

We have also made several recommendations to improve overall U.S. military readiness and cost reporting on ongoing operations in support of the Global War on Terrorism, including in Iraq and Afghanistan. For example, in order to improve military readiness, we recommended that DOD develop an overall plan for rebuilding readiness, including establishing goals and investment priorities. We also recommended that the Army revise and adjust its training strategy to include a plan to support full-spectrum training during extended operations, and clarify the capacity needed to support the modular force.[6] Further, DOD should identify mission-essential services provided by contractors and include them in planning, as well as develop doctrine to help the services manage contractors supporting deployed forces. In order to improve cost reporting and program assessment, we recommended, among other things, that DOD require that units that execute Commander's Emergency Response Program projects provide project monitoring to ensure that contractors have met the contract specifications.[7] Additionally, we recommended that DOD revise the cost reporting guidance for the Global War on Terrorism so that large amounts of reported obligations are not shown in "other" miscellaneous categories.[8]

In addition, we have made numerous recommendations to improve logistical and other support to U.S. forces in Iraq. For example, in December 2003 we reported on a number of logistical shortfalls during initial military operations[9] and in a subsequent report in April 2005 made recommendations to improve DOD's and the military service's efforts to provide needed critical supplies and parts to the troops in Iraq.[10] We also reported on the lengthy process to field truck armor by the Army and Marine Corps and made recommendations to establish a process to document and communicate all urgent wartime funding requirements for supplies and equipment at the time they are identified and the disposition of funding decisions.[11] We also reported on issues related to Army and Marine Corps prepositioned equipment and "reset" of equipment[12] and made recommendations to correct weaknesses identified in DOD's equipment reconstitution cost estimating and tracking processes.[13] We also reported and made recommendations on the need to improve the management and accountability of DOD efforts to mitigate the threat of Improvised Explosive Devices (IED).[14] In September 2008, we issued a report on DOD's planning for the reposturing of U.S. forces in Iraq, and made recommendations to DOD to efficiently and effectively retrograde its materiel and equipment from Iraq, as well as correct the incompatibility weaknesses in the various data systems used to maintain visibility over equipment and materiel while they are in transit.[15] In this report, we also identified several issues that will affect the development of plans for reposturing U.S. forces from Iraq, including

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[4] GAO, *Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Manage Risk,* GAO–08–117 (Washington, D.C: Oct. 1, 2007).

[5] GAO, *Rebuilding Iraq: Integrated Strategic Plan Needed to Help Restore Iraq's Oil and Electricity Sectors,* GAO–07–677 (Washington, D.C.: May 15, 2007).

[6] GAO, *Military Readiness: Impact of Current Operations and Actions Needed to Rebuild Readiness of US. Ground Forces,* GAO–08–497T (Washington, D.C.: Feb. 14, 2008).

[7] GAO, *Military Operations: Actions Needed to Better Guide Selection for Commander's Emergency Response Program and Improve Oversight in Iraq,* GAO–08–736R (Washington, D.C.: June 23, 2008).

[8] GAO, *Global War on Terrorism: Reported Obligations for the Department of Defense,* GAO–08–853R (Washington, D.C.: June 13, 2008).

[9] GAO, *Defense Logistics: Preliminary Observations on the Effectiveness of Logistics Activities during Operation Iraqi Freedom,* GAO-04-305R (Washington, D.C.: Dec. 18, 2003).

[10] GAO, *Defense Logistics: Actions Needed to Improve the Availability of Critical Items During Current and Future Operations,* GAO-06-160 (Washington, D.C.: Apr. 8, 2005).

[11] GAO, *Defense Logistics: Several Factors Limited the Production and Installation of Army Truck Armor during Current Wartime Operations,* GAO–08–160 (Washington, D.C.: Mar. 22, 2006).

[12] GAO, *Defense Logistics: Preliminary Observations on Equipment Reset Challenges and Issues for the Army and Marine Corps,* GAO–06–604T (Washington, D.C.: Mar. 30, 2006).

- guidance for the management of hazardous materials and waste and the disposition of property, which could affect the time and cost of closing installations in Iraq;
- guidance and plans for reposturing of contractors from Iraq;
- accountability and disposition of contractor-managed government-owned property;
- the possibility of restrictive conditions on the use of facilities in Kuwait and other neighboring countries;
- availability of wash racks and the number of customs inspectors in Kuwait;
- capacity of military-owned and -operated transports and convoy security assets, including limits on the main supply route;
- increased demand for access to mental health care providers;
- infrastructure requirements of returning units; and
- requirements for training and equipment reset to restore readiness.

We have also made numerous recommendations to improve the oversight and management of DOD service contracts used to support military operations in Iraq. For example, we recommended that DOD appoint a high-level focal point within the department dedicated to leading DOD's efforts to improve contract management and oversight, develop a database to provide visibility over all contractor support to deployed forces, develop lessons learned, and develop training standards, so that military commanders and other senior leaders who may deploy to locations with contractor support have the knowledge and skills needed to effectively manage contractors.[16] We also reviewed a key equipment maintenance contract in Kuwait and made recommendations to improve oversight of this contract.[17] Finally, we also have made recommendations to improve the oversight and coordination of private security contractors in Iraq.[18] [See page 10.]

RESPONSE TO QUESTIONS SUBMITTED BY MR. TAYLOR

Mr. DODARO. In answer to your question what extent has GAO tracked Iraqi oil revenue and how much of it is flowing back to the central government? How much is leaving the country?

In August 2008, we reported on Iraq's revenues and expenditures from 2005 through 2008 and on Iraq's budget surplus from 2005 through 2007.[19] In summary, we found the following:

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[13] GAO, *Defense Management: Processes to Estimate and Track Equipment Reconstitution Costs Can Be Improved,* GAO–05–293 (Washington, D.C.: May 5, 2005).

[14] GAO, *Defense Management: More Transparency Needed over the Financial and Human Capital Operations of the Joint Improvised Explosive Device Defeat Organization,* GAO–08–342 (Washington, D.C.: Mar. 6, 2008).

[15] GAO, *Operation Iraqi Freedom: Actions Needed to Enhance DOD Planning for Reposturing of US. Forces from Iraq,* GAO–08–930, (Washington, D.C.: Sept. 10, 2008).

[16] GAO, *Military Operations: High-Level DOD Action Needed to Address Long-standing Problems with Management and Oversight of Contractors Supporting Deployed Forces,* GAO–07–145 (Washington, D.C.: Dec. 18, 2006).

[17] GAO, *Defense Logistics: The Army Needs to Implement an Effective Management and Oversight Plan for the Equipment Maintenance Contract in Kuwait,* GAO–08–316R (Washington, D.C.: Jan. 22, 2008).

[18] GAO, *Rebuilding Iraq: DOD and State Department Have Improved Oversight and Coordination of Private Security Contractors in Iraq, but Further Actions Are Needed to Sustain Improvements,* GAO–08–966 (Washington, D.C.: July 31, 2008).

[19] GAO, *Stabilizing and Rebuilding Iraq: Iraqi Revenues, Expenditures and Surplus,* GAO–08–1031 (Washington, D.C: Aug. 5, 2008).

- From 2005 through 2007, the Iraqi government generated an estimated $96 billion in cumulative revenues, of which crude oil export sales accounted for about $90.2 billion, or 94 percent. For 2008, GAO estimates that Iraq could generate between $73.5 billion and $86.2 billion in total revenues, with oil exports accounting for between $66.5 billion to $79.2 billion. Projected 2008 oil revenues could be more than twice the average annual amount Iraq generated from 2005 through 2007. These projections are based on actual sales through June 2008 and projections for July to December that assume an average export price from $96.88 to $125.29 per barrel and oil export volumes of 1.89 to 2.01 million barrels per day.
- From 2005 through 2007, the Iraqi government spent an estimated $67 billion on operating and investment activities. Ninety percent was spent on operating expenses, such as salaries and goods and services, and the remaining 10 percent on investments, such as structures and vehicles. The Iraqi government spent only 1 percent of total expenditures to maintain Iraq- and U.S.-funded investments such as buildings, water and electricity installations, and weapons. While total expenditures grew from 2005 through 2007, Iraq was unable to spend all its budgeted funds. In 2007, Iraq spent 80 percent of its $29 billion operating budget and 28 percent of its $12 billion investment budget. For 2008, GAO estimates that Iraq could spend between $35.3 billion and $35.9 billion of its $49.9 billion budget.
- As of December 31, 2007, the Iraqi government had accumulated financial deposits of $29.4 billion, held in the Development Fund for Iraq and central government deposits at the Central Bank of Iraq and Iraq's commercial banks. This balance is the result, in part, of an estimated cumulative budget surplus of about $29 billion from 2005 to 2007. For 2008, GAO estimates a budget surplus of between $38.2 billion to $50.3 billion. If spent, a proposed Iraqi supplemental budget of $22 billion could reduce this projected surplus. [See page 12.]

Mr. DODARO. Regarding the plans for moving U.S. troops out of Iraqi palaces.

As of August 2008, the United States was negotiating the return of Iraqi premises as part the Status of Forces Agreement, according to the Deputy Chief of Mission, U.S. Embassy Baghdad. Some palaces are already being planned for return to the Iraqi government. For example, Embassy Baghdad is planning to officially return the Presidential Palace in the Green Zone by December 31, 2008. According to the Deputy Chief of Mission, because the United States will still have to decommission the Palace, it may be several more months before the Iraqis actually occupy these premises. [See page 12.]

Mr. DODARO. Regarding your question to what extent are we trying to buy fuel in Iraq at the same price the Iraqi government charges their own citizens?

Our response to this question is based on information that DOD designated as For Official Use Only (FOUO). We submitted our response to your staff in a separate correspondence on August 6, 2008. [See page 32.]

Mr. DODARO. Regarding your question to what extent is the U.S. government insisting on metering at Iraqi oil refineries?

Metering is needed to achieve financial transparency and accountability over oil resources in Iraq. As GAO reported in May 2007,[20] an improved metering system has been a U.S. and international donor priority since 2004 but has faced delays in its implementation. In 1996, the UN first cited the lack of oil metering when Iraq was under UN sanctions. In March 2004, the International Advisory and Monitoring Board (IAMB), charged with overseeing the Development Fund for Iraq, recommended the expeditious installation of metering equipment, in accordance with standard oil industry practices. According to IAMB, in June 2004, the Coalition Provisional Authority had approved a budget to replace, repair, and calibrate the metering system on Iraq's oil pipeline network and to contract the metering of Iraq's oil resources. However, the oil metering contract was not completed due to security and technical issues. In June 2006, IAMB reported that the Iraqi government had entered into an agreement with Shell Oil Company to serve as a consultant for the Ministry of Oil on metering and calibrating that would include the establishment, within the next 2 years, of a measuring system for the flow of oil, gas, and related products within Iraq and in export and import operations. GAO had recommended that the State Department work with the Ministry of Oil to set milestones and assign resources to expedite efforts to establish an effective metering system for the oil sector. State responded that the Iraqi government, and not the U.S. government, was responsible for taking actions on this recommendation.

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[20] GAO, *Rebuilding Iraq: Integrated Plan Needed to Help Restore Iraq's Oil and Electricity Sectors,* GAO–07–677 (Washington, D.C.: May 15, 2007).

In 2008, after we issued our report, IAMB published a report that found that Iraqi government progress in installing meters had been slow.[21] Some metering had been installed at oil terminals; however, there was no metering in the oil fields. Further, some refineries reported that even when they had metering systems, these systems were not utilized because they required calibration or repair. According to IAMB's auditors, these systems needed to be calibrated in accordance with the Committee of Calibration and Measurement. The auditors found that the absence of an overall comprehensive system of controls over oil resulted in unreconciled differences between oil extraction, production, export sales, and internal usage. In July 2008, a State Department oil expert stated that the U.S. government completed its metering project at the Al-Basrah oil port in southern Iraq. [See page 33.]

RESPONSE TO QUESTIONS SUBMITTED BY DR. GINGREY

Mr. DODARO. In response to what progress has the United States made in helping Iraq provide electricity to the Iraqi people, as compared with the level of electricity under Saddam Hussein's regime and shortly after the initial phase of the U.S. military operation?

Since March 2003, the administration has used a number of different metrics for determining progress in providing electricity to the Iraqi people. For example, we reported that as of May 2004, the available electrical service in Iraq's provinces—as measured in hours of power per day, by province—had not improved substantially from the situation before the war but was more equitably distributed among the provinces.[22] Although some improvement in service was made earlier in 2004, the situation deteriorated due to the worsening security situation and increasing demand as of May 2004. At that time, 8 of Iraq's 18 provinces had electricity for an average of 8 or fewer hours a day, and 9 had electricity for between 9 and 15 hours daily (see fig. 1).

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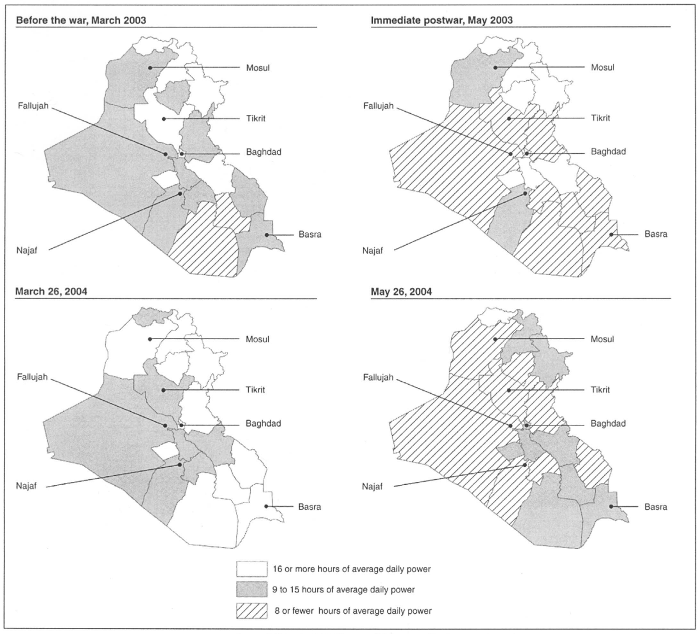
[21] International Advisory and Monitoring Board for Iraq, *Development Fund For Iraq: Statement of Cash Receipts and Payments for the Year Ended 31 December 2007* (Baghdad, July 2008).

[22] GAO, *Rebuilding Iraq: Resource, Governance, Essential Services and Oversight Issues,* GAO–04–902R (Washington, D.C.: June 28, 2004).

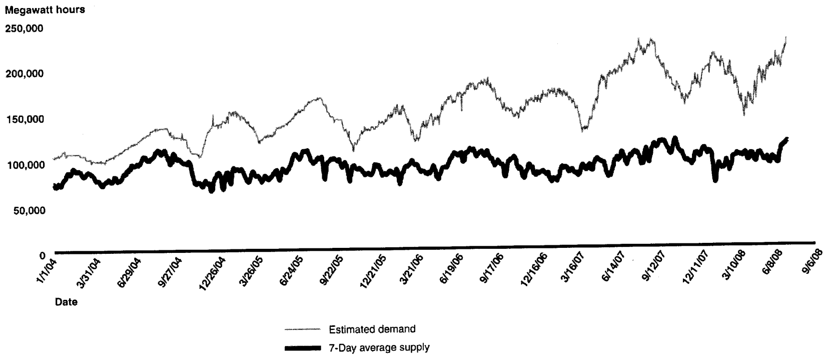
Figure 1: Average Daily Power Distribution, March-May 2003, March-May 2004


Before the war, March 2003
Immediate postwar, May 2003
March 26, 2004
May 26, 2004
Mosul
Fallujah
Tikrit
Baghdad
Najaf
Basra
16 or more hours of average daily power
9 to 15 hours of average daily power
8 or fewer hours of average daily power

Sources: GAO (analysis); USAID and the CPA (data); and Map Resources (map).

As of August 2008, the Departments of State and Defense were using the Iraqis' ability to meet demand from the national grid as indicator of progress in the electricity sector. Comparable supply and demand data for March 2003 are not available. Figure 2 illustrates the trend in supply from the national grid and estimated demand since January 1, 2004. According to the State Department, daily electricity demand for August 25 to August 31 was 7 percent above the same period last year. Daily supply from the grid was 2 percent below the year-earlier period and met 47 percent of demand, compared with 51 percent for the year-earlier period. [See page 14.]

Figure 2: Trend in Supply and Demand of Electricity from Iraq's National Grid



Source: Department of State.

RESPONSE TO QUESTIONS SUBMITTED BY MR. MURPHY

Mr. DODARO. Regarding your question has the U.S. Government funded public opinion polls—classified or unclassified—in Iraq?

The U.S. government has funded public opinion polls in Iraq. For example, a November 2006 DOD report contains Multinational Force-Iraq polling data on the Iraqi public's perceptions of security, as well as State Department polling data on the Iraqi public's confidence in the Iraqi government's ability to improve the situation in Iraq.[24] Further, in the past, the U.S. Agency for International Development funded *Iraq Quality of Life Survey Reports* through its Local Governance Program that provided important information about the level of access to water and sanitation services and Iraqi satisfaction with those services.[25] Contractors, working with local Iraqis as survey enumerators, surveyed Iraqis about a number of issues, including their access to and satisfaction with essential services. Although certain areas could not be surveyed due to security constraints, the survey reports provided data for each of Iraq's 18 governorates, as well as nationwide data. [See page 30.]

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[24] DOD, *Measuring Stability and Security in Iraq: Report to Congress in Accordance with the Department of Defense Appropriations Act 2007, Section 9010, P.L. 109–289 (Washington, D.C.: Nov. 2006).*

[25] GAO, *Rebuilding Iraq: U.S. Water and Sanitation Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaining Facilities,* GAO–05–872 (Washington, D.C.: Sept. 7, 2005).